美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

ANNUAL REPORT 2018

* For identification purpose only

Contents

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wang Dongqi

Independent Non-executive Directors

Mr. Lau Kwok Hung
Mr. Deng Shimin
Ms. Chen Yen Yung

AUDIT COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*
Mr. Deng Shimin
Ms. Chen Yen Yung

NOMINATION COMMITTEE

Mr. Lee Kwok Leung *(Chairman)*
Mr. Lau Kwok Hung
Mr. Deng Shimin
Ms. Chen Yen Yung

REMUNERATION COMMITTEE

Ms. Chen Yen Yung *(Chairman)*
Mr. Deng Shimin
Mr. Lau Kwok Hung

COMPANY SECRETARY

Mr. Lam Man Kit

AUTHORISED REPRESENTATIVES

Mr. Lee Kwok Leung
Mr. Lam Man Kit

AUDITOR

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Hong Kong

LEGAL ADVISORS

P.C. Woo & Co.
C.L. Chow & Macksion Chan

PRINCIPAL BANKERS

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Hang Seng Bank Limited

PRINCIPAL SHARE REGISTRAR

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STOCK CODE

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COMPANY WEBSITE

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On behalf of the board (the "Board") of directors (the "Directors") of Mayer Holdings Limited (the "Company"), I hereby present the annual report of Mayer Holdings Limited and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Year").

RESUMPTION OF TRADING

Trading in the shares (the "Shares") of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended since 9 January 2012. The Board submitted the first draft of the Company's viable resumption proposal 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. In June 2018, the Company has successfully published all outstanding financial reports from year 2011 to 2017. In July 2018, the Company executed a settlement deed to resolve the matter in the Dan Tien Port acquisition, which was approved by the shareholders of the Company (the "Shareholders") in an extraordinary general meeting held on 15 October 2018, including a series of corporate actions for buy-back of Shares, reorganization in the capital of the Company, allotment of Shares as remuneration and an open offer ("Open Offer"). In November 2018, the Company completed the Open Offer with net proceeds of approximately RMB243,873,000 (HK$274,894,000) obtained. Immediately after that, the Company fulfilled all resumption conditions. After years of enormous efforts paid by the management of the Group, trading of Shares was resumed on 21 November 2018.

GUANGZHOU MAYER

Soon after the new management of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), a non-wholly owned subsidiary, had successfully resumed the on-site control of the operation and governance of Guangzhou Mayer in July 2017, Guangzhou Mayer has resumed its normal operation situation quickly. As soon as the resumption of physical control over Guangzhou Mayer took place in July 2017, the new management of Guangzhou Mayer managed to stabilise the factory's production and the upkeep of normal production capacity had been achieved quickly. With an effective human resources management system and a good business relationship between Guangzhou Mayer and its suppliers, the new management of Guangzhou Mayer has adopted a "Just-in-Time" approach in maximizing the factory's production capacity and minimising the level of inventory. Despite the reduction in the export of steel products due to the global trade tension and the fluctuation of foreign exchanges in the Year, Guangzhou Mayer continues to capture more sales in the domestic market in China. Upon completion of the Open Offer and with the new capital expenditure, the new management of Guangzhou Mayer is confident that the production capacity will be strengthened to generate more profits to the shareholders of both the Company and Guangzhou Mayer. Although the global market situation is fluctuating and harsh, the Group is confident to encounter all the challenges ahead based on the solid foundations of Guangzhou Mayer, as well as with the additional capital funding raised by the Open Offer for Guangzhou Mayer to grow and develop.

ACKNOWLEDGEMENT

Having resolved all obstacles along the way to the resumption in trading of Shares in these years, the Group can finally commence a brand new page now and look forward for the bright future. 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 to the Group in these years.

Lee Kwok Leung
Chairman of the Board
Hong Kong, 28 March 2019

BUSINESS REVIEW

Trading in the Shares of the Company on the Stock Exchange was suspended since 9 January 2012. After years of enormous efforts paid by the Board and management of the Group, the Company had fulfilled all the resumption conditions imposed by the Stock Exchange and eventually resumed trading of the Shares on 21 November 2018.

In 2018, Guangzhou Mayer obtained remarkable successes in terms of production, operation, management, product research and development, and technological innovation. It was recognised as a national high-tech enterprise and certified as a premium AEO by China Customs. It passed the annual audits of, amongst others, ISO 9001 Quality Management System, ISO 10012 Measurement Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System. Furthermore, it has been named as a Contract-abiding and Credit-honouring Enterprise* ("守合同重信用企業") in Guangdong Province for the last 13 consecutive years.

In respect of production, operation and management, the new knowledge and skills framework ("KSF") comprehensive performance-based remuneration management model has been introduced to motivate the staff, improve their efficiency, reduce production costs and strengthen the competitiveness of the company's products. A safety improvement campaign has also been launched to effectively safeguard all individual and corporate safety.

In terms of product research and development as well as technological innovation, a business-school scientific research partnership was established in collaboration with the Guangdong University of Technology. To venture into the lucrative automobile components market, new products such as automobile plates and motor vehicle pipes were developed and awarded IATF16949 certifications. Guangzhou Mayer's 316L stainless steel pipes and tubes were granted Safety and Hygiene Certificate of Products for Drinking Water in Guangdong Province* ("廣東省涉及飲用水衛生安全產品衛生許可證"), thereby laying a solid foundation for the company to expand its market. It actively participated in the formulation and modification of Material industry standards and regulations. Guangzhou Mayer is currently the vice chair of Guangdong Stainless Steel Materials and Products Association* ("廣東省不銹鋼材料與製品協會") and Foshan Metal material Industry Association* ("佛山市金屬材料行業協會"), which highlighted its leading position in the industry. It has also enhanced its production efficiency and capacity by allocating additional resources to upgrade its equipment.

MATERIAL DISPOSALS

Yield Rise and Dan Tien Port

In 2010, the Company entered into acquisition agreements with the vendor for acquiring the entire equity interest of Yield Rise Limited ("Yield Rise") regarding the project named Dan Tien Port. This acquisition was completed in 2011. In 2012, the Company commenced legal actions against the vendor of Yield Rise, for rescission of this acquisition and recovering all considerations the Company had paid the vendor. In 2018, the Company entered into a settlement deed with the vendor, in which the Company transferred the shares of Yield Rise to the vendor, while the vendor surrendered all consideration shares, promissory notes and convertible bonds involved in this acquisition to the Company and the Company cancelled all such instruments returned by the vendor. Further, the Company and the vendor filed a joint application to the court for discontinuation of the relevant court action to release and discharge all the claims and/or counterclaims made in between the Company and the vendor. All the events contemplated under the above-mentioned settlement deed were completed in the year of 2018, including but not limited to the discontinuation of the relevant court action which was approved by the court on 19 October 2018. Reference was made to the circular of the Company dated 21 September 2018 and the announcement of the Company dated 23 October 2018.

Vietnam Mayer

The Group held unlisted equity securities representing 29.85% equity interest in Vietnam Mayer Company Limited ("Vietnam Mayer"). Although the Group held more than 20% of the voting power of Vietnam Mayer, Vietnam Mayer was recognised as available-for-sale financial assets as the Group was unable to exercise significant influence over Vietnam Mayer.

On 21 January 2010, the Group entered into a sale and purchase agreement, in which, the Group has agreed to sell and Mayer Steel Pipe Corporation has agreed to purchase 2,000,000 shares of Vietnam Mayer, representing the Group's all effective interest in Vietnam Mayer, at a consideration of USD2,100,000 in cash. This disposal constituted, under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), a disclosable and connected transaction of the Company, the details of which were set out in the circular issued by the Company on 11 February 2010. This disposal had been approved in the extraordinary general meeting of the independent shareholders of the Company held on 25 March 2010. This disposal was completed in the year of 2018. Without affecting the classification of this disposal as a disclosable transaction, a consideration of USD2,200,000 was revised and agreed in writing between the Group and Mayer Steel Pipe Corporation, whom was no longer a connected person of the Group. A net proceed on this disposal amounted to approximately RMB14,055,000 was received by the Group.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recognised consolidated revenue of approximately RMB426,149,000 representing an increase of 16.1% compared with approximately RMB367,107,000 for the year ended 31 December 2017. Gross profit margin was 12.2% compared to 11.8% in the year ended 31 December 2017. Loss attributable to owners of the Company was approximately RMB48,937,000, compared with the loss of approximately RMB14,606,000 for the year ended 31 December 2017. Loss per share for the year was RMB8.15 cents compared with loss per share RMB3.15 cents, as restated, for the year ended 31 December 2017.

Revenue

The revenue from indirect export sales of steel products in the PRC during the Year was approximately RMB64,141,000, representing an increase of approximately 4.8% compared with approximately RMB61,218,000 for the last year. The revenue from domestic sales of steel products in the PRC during the Year was approximately RMB327,021,000, representing an increase of approximately 24.1% compared with approximately RMB263,459,000 for the last year. The revenue from direct export sales of steel products outside the PRC during the Year was approximately RMB34,987,000 representing a decrease of approximately 17.5% while it was approximately RMB42,430,000 for the last year. As a result, the aggregate revenue of the Group increased by 16.1%, from approximately RMB367,107,000 for the year 2017 to RMB426,149,000 for the year 2018.

Gross Profit

The Group recorded gross profit of approximately RMB51,970,000 for the year ended 31 December 2018, with a gross profit margin of approximately 12.2%, compared with gross profit of approximately RMB43,418,000 and gross profit margin of approximately 11.8% for the year ended 31 December 2017. The improvement was mainly attributable to the enhancement in the profit margin by better direct cost control during the Year.

Other Income

The Group's other income increased from approximately RMB15,635,000 for the year ended 31 December 2017 to approximately RMB19,355,000 for the year ended 31 December 2018. The increase was mainly attributable to the increase in dividend income from Vietnam Mayer (financial assets at fair value through other comprehensive income) and scrap sales.

Other Net Losses

The Group's other net losses increased from approximately RMB2,234,000 for the year ended 31 December 2017 to approximately RMB48,067,000 for the year ended 31 December 2018. The increase was mainly attributable to an impairment loss made on long term receivables with details further stated below.

Operating Expenses

For the year ended 31 December 2018, the total operating expenses of the Group were approximately RMB72,146,000, of which approximately RMB17,791,000 in distribution costs, RMB54,355,000 in administrative expenses and no costs on other operating expenses, accounting for approximately 4.2%, 12.8% and 0% of revenue respectively, while the amounts for the last year were approximately RMB17,667,000, RMB47,744,000 and RMB1,000 respectively, accounting for approximately 4.8%, 13.0% and 0.1% respectively. The increase in operating expenses was mainly due to the decrease in depreciation for property, plant and equipment and staff cost and the increase in legal and professional fees comparing for the year ended 31 December 2017.

Finance Costs

The Group's incurred approximately RMB3,374,000 in finance costs for the year ended 31 December 2018 and approximately RMB3,531,000 for the year ended 31 December 2017, representing a decrease of 4.4%. During the year 2017 and 2018, the decrease was mainly due to the decrease in average balance of the borrowings.

Loss for the Year

As a result, the Group recorded loss attributable to owners of the Company of approximately RMB48,937,000 and RMB14,606,000 for the year ended 31 December 2018 and 2017 respectively, representing an increase of loss approximately 2.4 times. Such higher loss incurred for the year of 2018 was mainly attributable to the RMB50 million impairment loss incurred from the long term receivables as stated below.

By referring to the performance target of Guangzhou Mayer for the year of 2018 as set out in the Company's circular dated 21 September 2018 ("Performance Target"), the loss before tax of Guangzhou Mayer achieved in the Year was approximately RMB22,880,000. While taking out the RMB50 million financial effect of the impairment loss as incurred over the long term receivables in the year of 2018, the profit before tax of Guangzhou Mayer was approximately RMB27,120,000 which was higher than the Performance Target.

Property, Plant and Equipment

As at 31 December 2018, the carrying amounts of property, plant and equipment amounted to approximately RMB30,024,000, representing a decrease of approximately 7% when compared to RMB32,120,000 as at 31 December 2017. As at 31 December 2018, no property plant and equipment of the Group were pledged to secure the borrowings granted to the Group (2017: RMB30,697,000).

Long Term Receivables

As disclosed in the Company's announcement dated 13 October 2017, 5 October 2018, 31 October 2018, 20 November 2018 and 27 November 2018, in relation to the three claim petitions against three investment companies for the refund of the investment sums (totally, RMB50 million) that Guangzhou Mayer had provided doubtfully. In order to make an attempt on the recovery of RMB50 million, three claim petitions against the three investment companies had been filed to the Court of Qianhai Cooperation District, Shenzhen, Guangdong Province (廣東省深圳前海合作區人民法院) in August 2017. Considering the advice and opinions from the police authority and the lawyers, Guangzhou Mayer had withdrawn one of the claim petitions. In addition to judicial assistance, the current management of Guangzhou Mayer considers the three investment agreements as deceitful acts committed by the former management of Guangzhou Mayer and the three investment companies. Therefore, the alleged wrongful transactions had been reported to the relevant police department in the PRC in May 2018. Auditors of the Company expressed their qualified opinion on the issue in the current year.

As the Company considered the recoverability of the said RMB50 million receivables being uncertain due to the relevant personnel of the three investment companies were uncontactable, full impairment over these receivables were made in the current year in a prudent manner.

Trade and Other Receivables

Trade and other receivables amounted to approximately RMB195,946,000 as at 31 December 2018, representing an increase of approximately 39.3% when compared to RMB140,690,000 as at 31 December 2017. The increase was mainly attributable to the increase in trade receivables and bills receivables due to the revenue increased during the Year, the increase in other receivables from a financial institution with yearly return and the increase in prepayment and other deposits.

The Group keeps adhering 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.

Trade and Other Payables

Trade and other payables amounted to approximately RMB70,018,000 as at 31 December 2018, representing a decrease of approximately 19.5% when compared to RMB86,941,000 as at 31 December 2017. The decrease was mainly due to the decrease in accrued expenses for legal and professional fee provided for resumption.

Borrowings

As at 31 December 2018, the Group recorded other borrowings of approximately RMB20,668,000 (31 December 2017: RMB36,922,000), of which RMB20,000,000 was a loan from bank in PRC dominated in RMB beared fixed interest rates of 4.35%-5.22% (2017: 1.8%-5.6%). The rest of the borrowings being loan from third parties dominated in RMB beared interest rate of 8%-10% (2017: 8-10%). No assets of the Group were pledged to secured the borrowings. As at 31 December 2017, the property, plant and equipment in the PRC amounted to approximately RMB30,697,000 were pledged to secured borrowings granted to the Group.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had total of 304 (including directors) employees. Total staff costs for the year ended 31 December 2018 were approximately RMB39,921,000, including retirement benefits cost of approximately RMB5,406,000 and salaries, bonus and allowances approximately RMB34,515,000. 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 at an appropriate timing.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2018, the authorised share capital of the Company was RMB724,843,000 (HK$800,000,000) divided into 4,000,000,000 Shares and the issued share capital of the Company was RMB318,093,000 (HK$349,600,000) divided into 1,748,000,000 shares. As at the date of this annual report, the share capital of the Company comprises ordinary shares.

During the year ended 31 December 2018, the Group financed its operations by (i) cash flow from operating activities; (ii) borrowings from bank; and (iii) funding through open offer.

The Group had net current assets of approximately RMB350,507,000 as at 31 December 2018 as compared with approximately RMB110,162,000 as at 31 December 2017. The current ratio (current assets divided by current liabilities) changed to approximately 4.87 as at 31 December 2018 from 1.97 as at 31 December 2017. As at 31 December 2018, the Group had a balance of approximately RMB20,668,000 borrowings from bank and third parties to finance the Group's working capital purposes and capital expenditures (31 December 2017: RMB36,922,000).

For the Year, the Group net cash outflow of approximately RMB97,181,000 from its operating activities, as compared to net cash outflow of approximately RMB32,768,000 for the last year. The increase in net cash outflow from operating activities was primarily due to the increase in inventories and trade receivables and other receivables and decrease in trade and other payables. Net cash inflow of approximately RMB23,485,000 was from investing activities for the Year, mainly due to the increase in dividend income and proceed from disposal of financial assets. Net cash inflow of approximately RMB224,245,000 was from financing activities, mainly resulted from the proceeds from open offer in November 2018. Banks deposits and cash balances as at 31 December 2018 amounted to approximately RMB174,667,000, mainly denominated in Renminbi ("RMB") and HK dollars (31 December 2017: RMB31,317,000).

The debt-to-equity ratio (total liabilities divided by total capital) as at 31 December 2018 was approximately 28.5% while it was 155.2% as at 31 December 2017. Current portion of borrowings accounted for approximately 4.3% and 7.1% of the total assets of the Group as at 31 December 2018 and 31 December 2017, respectively.

Capital Reorganization

With reference made to the announcements of the Company dated 20 July 2018 and 18 September 2018 and the circular of the Company dated 21 September 2018, the Company has proposed to implement the capital reorganization (the "Capital Reorganization") which involves (i) the capital reduction by Share buy-back and cancellation of all the Consideration Shares, (ii) Share Consolidation of every two issued and unissued Shares of a nominal value of HK$0.1 each in the capital of the Company consolidated into one Adjusted Share of a nominal value of HK$0.2, such that following such consolidation, the Company's authorized share capital shall be HK$200,000,000 divided into 1,000,000,000 Shares of a nominal value of HK$0.2 each; and (iii) increase of authorized share capital of the Company to HK$800,000,000 divided into 4,000,000,000 Adjusted Shares of a nominal value of HK$0.2 each, by the creation of 3,000,000,000 Adjusted Shares of a nominal value of HK$0.2 each after the Share Consolidation become effective. The Capital Reorganisation was completed on 16 October 2018.

For the Capital Reorganization, part of the professional fees amounted to HK$800,000 charged by Veda Capital Limited in respect of the Resumption was settled by the allotment and issue of 4,000,000 Remuneration Shares to Veda Capital Limited (or their respective nominees) at an issue price of HK$0.2 per Adjusted Share, which is equivalent to the Offer Price. The Remuneration Shares have been duly allotted and issued to a nominee of Veda Capital Limited on 16 October 2018.

Open Offer

On 20 July 2018, the Company entered into underwriting agreements in relation to the underwriting and certain other arrangements in respect of the open offer on the basis of four offer shares for every one share in issue and held on 26 October 2018, being the record date, at the subscription price of HK$0.2 each (the "Open Offer"). The Open Offer was completed on 19 November 2018 and totally 1,398,400,000 offer shares were issued. The net proceeds of the Open Offer amounted to approximately RMB243,873,000 (HK$274,894,000) (equivalent to a net price of approximately HK$0.2 per offer share). Details of the Open Offer were set out in the Company's announcements dated 16 January 2018, 20 July 2018, 18 September 2018 and 19 November 2018, the circular dated 21 September 2018 and the Company's prospectus dated 29 October 2018.

The reason for carrying out the Open Offer were to: (i) allow the Group to strengthen its financial position without having to incur interest expenses as compared to debt financing; (ii) increase the capital base of the Company for future business, operation and investment purposes; and (iii) enable Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Group should they wish to do so.

As at 31 December 2018, approximately RMB28,703,000 (HK$32,358,000) was used for settling legal, consultancy and professional fees and other costs and expenses arising from trading resumption of the Shares, approximately RMB30,541,000 (HK$34,431,000) was used for repayment of outstanding loans, approximately RMB4,558,000 (HK$5,138,000) was used for settling directors' remuneration, approximately RMB11,111,000 (HK$12,526,000) was used for the general working capital of the Group and the remaining balance of approximately RMB168,960,000 (HK$190,441,000) remained unutilized, which is expected to be utilized mainly in the year of 2019.

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

No assets of the Group were pledged as at 31 December 2018. As at 31 December 2017, approximately RMB30,697,000 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 annual report:

(i) 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") regarding loan of HK$11,030,000 due to him. On 7 November 2014, a 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 it was ordered that both the appeal filed by Mr. Lai Yueh-Hsing and the Company be dismissed. Therefore, the whole matter has ended and will not have a any further on the Group's financial position.

(ii) 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 had heard the winding up petition on 27 December 2018 and the judgement of the hearing has yet to be released. 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.

(iii) 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.

LEGAL CASES UPDATE

Claim Disputes in Shenzhen

Reference is made to the Company's announcements dated 13 October 2017, 5 October 2018, 20 November 2018 and 27 November 2018, Guangzhou Mayer had provided investments in aggregate amounted to RMB50 million, doubtfully, to three investment companies by former management of Guangzhou Mayer. The current management of Guangzhou Mayer considers these investments as deceitful acts committed by the former management of Guangzhou Mayer and the three investment companies, and so proper legal actions have been conducted by Guangzhou Mayer for recovering these investments, including filing claim petitions to the Court of Qianhai Cooperation District, Shenzhen, Guangdong Province* ("Court of Qianhai")* and reporting to the relevant police department in the People's Republic of China. In October 2018, the People's Court of Futian District of Shenzhen City* taken up the mentioned petitions from the Court of Qianhai and had heard on 20 November 2018 but had not yet made the judgement. Auditors of the Company expressed their qualified opinion on the issue in the current year. As the Company considered the recovery of these RMB50 million receivables as uncertain since relevant personnel of the three investment companies were uncontactable, full impairment over these investments, disclosed as long term receivables in balance sheet, were made in the Year in a prudent manner.

Petition filed by a Shareholder

Reference is made to the Company's announcement dated 19 October 2018, the Company received a petition dated 15 October 2018 issued by Mr. Chu Ting Yi ("Mr. Chu", the petitioner), a shareholder of the Company, in the High Court of the Hong Kong Special Administrative Region on 15 October 2018 against, among other respondents, the Company. According to the Petition, Mr. Chu sought for (i) an order that Mr. Lee Kwok Leung, being the chairman of the Company's extraordinary general meeting held on 15 October 2018 (the "EGM"), do exercise his power and/or discretion pursuant to Article 85(b) of the articles of association of the Company (the "Articles of Association") to disqualify Aspial Investment Limited ("Aspial") and Bumper East Limited ("Bumper"), both being substantial shareholders of the Company, from voting on the resolutions at the EGM; (ii) alternatively, an order that the votes of Aspial and Bumper be excluded in determining the results of the resolutions at the EGM; (iii) such further or other reliefs and all necessary and consequential directions as the Court may think fit; and (iv) costs.

This petition was heard at the Court of First Instance (Companies Court) on 13 February 2019 which was adjourned for substantive hearing. The Company is advised that since the Petitioner does not seek any monetary relief against the Company, the Petition will have no impact on the Group's financial position.

CAPITAL COMMITMENTS

The Group has no significant capital commitments outstanding at 31 December 2018 and 2017.

DISCUSSION ON QUALIFIED OPINION

According to the qualified opinion raised in the independent auditor's report, the view of the Group towards the issues as follows:

1. Opening Balances and Corresponding Figures

Since the consolidation financial statements of the Group for the year ended 31 December 2010 which form the basis for the corresponding figures presented afterward and brought forward year by year. This audit qualification is expected to be removed after the item 2 to 5 mentioned below being removed.

2. Cost of Goods Sold

An audit qualification on the comparative figures of the cost of goods sold for the year ended 31 December 2018 was imposed due to the auditor were unable to attend the physical count of inventories of Guangzhou Mayer as at 31 December 2016, before the audit engagement.

Since completed accounting books and records of Guangzhou Mayer for the year ended 31 December 2017 were available for the audit purpose and the auditors had attended the physical count of Guangzhou Mayer's inventories as at 31 December 2017 and thereafter, the Group believes that this audit qualification can be removed in the year ending 31 December 2019.

3. Available-For-Sale Financial Assets

After July 2017, the management of the Company had contacted the management of Vietnam Mayer Company Limited ("Vietnam Mayer") and understood that they were not allowed to participate in the management of Vietnam Mayer and nominate representatives to the board of directors of Vietnam Mayer. This situation demonstrated that the Group was unable to exercise significant influence over Vietnam Mayer. Therefore, the accounting treatment for Vietnam Mayer as available-for-sale financial asset was appropriate. For the year ended 31 December 2018, there was still an audit qualification on the comparative figures of the Group's profit or loss and other comprehensive income. The Group believes that this audit qualification can be removed in the year ending 31 December 2019.

4. Long Term Receivables

In order to make an attempt on the recovery of RMB50 million, three claim petitions against the three investment companies had been filed to the Court of Qianhai Cooperation District, Shenzhen, Guangdong Province in August 2017. Considering the advice and opinions from the police authority and the lawyers, Guangzhou Mayer had withdrawn one of the claim petitions. In addition to judicial assistance, the current management of Guangzhou Mayer considered the three investment agreements as deceitful acts committed by the former management of Guangzhou Mayer and the three investment companies. Therefore, the alleged wrongful transactions had been reported to the relevant police department in the PRC in May 2018. The long term receivables of RMB50 million were fully impaired for the year ended 31 December 2018. The Board was still considering taking appropriate further actions to recover the amount, and believes that this audit qualification can be removed in the year ending 31 December 2019.

Details of the aforesaid are set out in the Company's announcement dated 13 October 2017, 5 October 2018, 20 November 2018 and 27 November 2018.

5. Unconsolidation of Yield Rise Group

In 2018, the Company and the vendor, Make Success Limited ("Make Success"), filed a joint application to the court for discontinuation of the relevant court action to release and discharge all the claims and/or counterclaims made in between the Company and the vendor. The Company and Make Success entered into a settlement deed and to resolve the disputes between them.

Upon the completion of the settlement deed on 19 October 2018, all the promissory notes and the convertible bonds issued by the Company on this have been cancelled. The Company transferred the shares in Yield Rise Limited to Make Success. It is clear that the Group has no control over Yield Rise Group and should not be consolidated to the Group. The Group believed that this issue was completely settled.

Details of the aforesaid are set out in the Company's circular dated 21 September 2018 and the announcement dated 23 October 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Key risks and uncertainties affecting the Group are set out as below.

Global Economic and Macro-Economic Conditions

The impact of economic conditions on market price and customers' confidence would affect the revenue and results of the Group. The economic growth or decline in the Group's geographical markets that affect customers' demand would affect the Group's business. The Group continues to implement its strategies to develop and explore for different markets thereby reducing its dependency on specific markets.

Investment Risk

Balancing risk and return across investment types are key considerations of investment framework. Risk assessment is an important aspect of the investment decision process. Management would regularly review and monitor the progress of the investments of the Group and submit to the board of directors of the Company.

Customers' Credit Risk

The maximum exposure to credit risk by the Group which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place to determinate credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group only extends credit to customers based on careful evaluation of the customers' financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity Risk

In management of the liquidity risk, the Group monitors and maintains sufficient reserves of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant loan covenants.

Financial Risk

The Group's major financial instruments include available-for-sale investments, trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Compliance Risk

The Board monitor and ensure that the Group is in compliance with the applicable laws, rules and regulations. The Group engages professionals from time to time to keep abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Group also implements a strict control in prohibiting any unauthorised use or dissemination of confidential or inside information.

The Board has reviewed the effectiveness of the Group's internal control and risk management systems covering business, financial and compliance risks of the Group and is satisfied that such systems are effective and adequate for the current operations of the Group.

OUTLOOK

While the trade talks between the PRC and the United States are making progress, the central government of the PRC is rolling out a series of economic policies to shore up support for the real economy, reinforce market opening and stimulate domestic consumption in 2019. In addition, the promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area opened the door to new development in the Greater Bay Area. As situated at the heart of the Greater Bay Area, the Group and Guangzhou Mayer are poised to grasp this golden opportunity, keep abreast of the latest developments and foster their businesses.

As for carbon steel products, Guangzhou Mayer is located in close proximity to the largest steel market and automobile production base in Southern China. Such prime location is beneficial to the Company for exploring the domestic market and developing its automobile component business. Pursuing domestic customers conforms to the current national economic policy to enlarge domestic consumption. It also effectively offsets the loss of overseas customers due to the US-China trade war while mitigating the adverse impact brought by the sluggish electronic materials processing industry.

Stainless steel pipes and tubes, on the other hand, will enjoy enormous room for development with increased efforts in the reconstruction and upgrade of municipal water supply systems, enhanced living standard and prevalence of the awareness of healthy water usage in the PRC. The municipal governments of Shenzhen, Shanghai, Hangzhou, Chongqing, Zhuhai, Zhongshan, Changsha, Hefei, Zhengzhou, Xiamen and so forth successively issued papers concerning the comprehensive promotion of the application of stainless steel pipes. Thanks to policy support, demand from the domestic market and prevalence of the awareness of healthy water usage, the adoption of stainless steel pipes in water supply pipelines will become a prevailing trend, resulting in a rapid growth in the domestic demand for stainless steel pipes and components. "Mayer", the brand name of the Group's stainless steel pipes and components, is a prestigious brand in the PRC. Being one of the leaders in the industry, Guangzhou Mayer will have greater development along with the rapid growth of such market demand in the PRC.

Indeed, the increasingly complicated economic environment and fierce market competition will expose the operation of the Group to various challenges. Nevertheless, the Group, especially the management of Guangzhou Mayer, will tackle such challenges by better utilising their resources, seizing business opportunities, strengthening the existing businesses, exploring new businesses, identifying investment targets and pursuing new sources of profits.

The management of the Group unanimously believes that by utilising extensive experience in project research, market analysis and grasping, product research, development and sales, customer development and services, production operation and cost control, the Group will be able to maintain and expand its customer base and market share, enhance the competitiveness and added value of its products, obtain the best economic benefits and maximise value for its investors.

PROSPECTS

The Board will keep focus on the existing business and allocating competent financial and non-financial resources to Guangzhou Mayer targeting to obtain possession of steady growth and further benefit from the current market and industry trend. Nevertheless, the Board will explore potential investment opportunities in a cautious and conservative manner to improve the Group's performance, Shareholders' returns and stakeholders' benefits.

The Board and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all shareholders and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group from time to time to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 (the "Year"), except for the deviations from code provisions A.1.8, A.4.1, A.4.2, C.1.2, E.1.2 and E.1.3 of the Code, which are explained below.

The then code provision	Reason for the non-compliance and improvement actions taken or to be taken
A.1.8	The Company has not arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company in the year of 2018. The Company is sourcing an appropriate insurance coverage and targeted to get it in place as soon as possible.
A.4.1	As two of independent non-executive Directors ("INEDs") of the Company, who subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company in the coming annual general meeting, have not entered into any letter of appointment, the two INEDs will be appointed for a specific term once entered into letter of appointment.
A.4.2	As no annual general meeting was held during the year of 2018, no Directors have been subject to retirement and re-election by the Shareholders. An annual general meeting will be held in due course for the retirement by rotation and re-election of Directors.

C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The management of the Company did not provide a regular monthly update to the members of the Board, but the management keeps providing information and update to the members of the Board irregularly.
E.1.2 and E.1.3	No annual general meeting was held during the year of 2018. An annual general meeting of the Company will be arranged in due course.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions as set out in the Code during the year of 2018.

BOARD OF DIRECTORS

The Board is responsible for overseeing the Group's strategic planning and development, and for determining the objectives, strategies and policies of the Group while delegating day-to-day operations of the Group to management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole.

As at the date of this annual report, the Board currently comprises seven members including, Mr. Lee Kwok Leung, Mr. Xu Lidi, and Mr. Lin Jinhe as executive Directors, Mr. Wang Dongqi as a non-executive Director and Mr. Lau Kwok Hung, Mr. Deng Shimin and Ms. Chen Yen Yung as independent non-executive Directors. At least one of the three independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. Details of their respective experiences and qualifications are included in the Biographical Information of Directors and Senior Management of this Annual Report.

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 28 March 2019 which sets out the approach to achieve diversity on the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will discuss and adopt the above measurements when it reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee considered that the existing Board were suitably qualified with professional backgrounds and/or equipped with extensive expertise for the purposes of providing direction to and oversight of the Group's strategy and business in achieving its objectives.

The Nomination Committee reviews the Board Diversity Policy at least annually or in necessary condition, as appropriate, to ensure its continued effectiveness from time to time.

The independent non-executive Directors ensure the Board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this annual report still considers each of them to be independent to the Company.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board. All of them are free to exercise their individual judgment.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Lee Kwok Leung, executive Director, is the chairman of the Board 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 is 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' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the Code, the Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses to ensure that they are fully aware of the responsibilities and obligations of directors under the Listing Rules and relevant regulatory requirements.

All Directors have participated in continuous professional development, by reading articles, training materials and updates as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties. All Directors have provided confirmations of training they received for the Year to the Company. The Company has also continuously updated Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

MEETINGS

During the Year, the Board has held 11 meetings to discuss among other matters, the Group's affairs, investment projects and the operational and financial performance of the Group and the Company has held 1 general meeting, being an extraordinary general meeting held on 15 October 2018 ("2018 EGM").

The attendance records of the Directors to board meetings and extraordinary general meeting of the Company being held for the Year are set out below:

	Board Meetings	2018 EGM
Executive Directors		
Mr. Lee Kwok Leung *(Chairman)*	10/11	1/1
Mr. Xu Lidi	11/11	1/1
Mr. Lin Jinhe	9/11	1/1
Non-executive Director		
Mr. Wang Dongqi	7/11	0/1
Independent Non-executive Directors		
Mr. Ng Cheuk Lun *(Note 1)* (resigned on 7 September 2018)	6/7	N/A
Mr. Lau Kwok Hung	10/11	0/1
Mr. Deng Shimin	10/11	0/1
Ms. Chen Yen Yung *(Note 2)* (appointed on 7 September 2018)	2/3	1/1

Notes:

1. Mr. Ng Cheuk Lun resigned on 7 September 2018. His attendances above were stated by reference to the number of Board meetings and general meetings held during his tenure.

2. Ms. Chen Yen Yung was appointed on 7 September 2018. Her attendances above were stated by reference to the number of Board meetings and general meetings held during her tenure.

The company secretary (the "Company Secretary") of the Company assists the chairman of each meeting in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meeting, which are available to all the Directors for inspection. Drafts of Board minutes are circulated to all Directors for their comments and approved as soon as practicable after the Board meetings.

All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing the Directors with board papers and related materials and ensuring that board procedures are followed.

BOARD MEETING

Should a potential conflict of interest involving a substantial Shareholder or Director arise, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolutions. Independent non-executive Directors with no conflict of interest should present at meeting dealing with conflict issues. Board committees of the Company, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in Board meetings for committee meetings.

DIRECTORS' TERM OF APPOINTMENTS AND RE-ELECTION

In accordance with article 112 of the Articles of Association of the Company, each of Mr. Mr. Lee Kwok Leung, Mr. Xu Lidi, Mr. Lin Jinhe, Mr. Lau Kwok Hung, Mr. Wang Dongqi, Mr. Deng Shimin and Ms. Chen Yen Yung shall retire from office by rotation at the forthcoming annual general meeting and being eligible, will offer himself for re-election.

Each of the non-executive Directors and independent non-executive Directors are appointed 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 serving the shortest a one months' prior written notice. Each of such appointments is subject to the rotation and retirement provisions in the Articles of Association of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all the existing Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the Year.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board is responsible for presenting a clear, balanced assessment of the Group's performance and prospects. It is also responsible for preparing financial statements that give a true and fair view of the Group's financial position on a going concern basis and other inside information announcements and financial disclosures. Management provides the Board with the relevant information it needs to discharge these responsibilities. The responsibilities of the auditor to the Shareholders are set out in the Independent Auditor's Report on pages 43 to 49.

NOMINATION COMMITTEE

The Nomination Committee was established on 22 August 2005 with written terms of reference in compliance with the Code which are available on the respective websites of the Company and the Stock Exchange.

The principal responsibilities of the Nomination Committee include reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board; to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and to review the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy.

The Nomination Committee selects candidates for directorship with reference to the candidate's professional knowledge, industry experience, personal ethics and integrity, and time commitments. During the selection process, the Nomination Committee may consider referrals or engage external recruitment professionals when necessary. Meetings of the Nomination Committee shall be held at least once a year and when required. The Nomination Committee currently comprises one executive Director, namely Mr. Lee Kwok Leung (as the chairman of the committee) and three independent non-executive Directors, namely Mr. Lau Kwok Hung, Mr. Deng Shimin and Ms. Chen Yen Yung. For the year of 2018, the Nomination Committee has held 1 meeting, mainly to review the composition of the Board and the retirement and re-election of Directors, to assess the independence of independent non-executive Directors and to make recommendation to the Board on the nomination of new Director candidates during the Year. The attendance is as follows:

	Number of attendance
Mr. Lee Kwok Leung *(Chairman)*	1/1
Mr. Lau Kwok Hung	1/1
Mr. Deng Shimin	1/1
Ms. Chen Yen Yung *(Note)* (appointed on 7 September 2018)	N/A
Mr. Ng Cheuk Lun *(Note)* (resigned on 7 September 2018)	0/1

Note: Ms. Chen Yen Yung replaced Mr. Ng Cheuk Lun as a member of the committee following Mr. Ng Cheuk Lun ceased to be a member of the committee on 7 September 2018. Their respective attendances above was stated by reference to the number of meetings held during their tenure.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 August 2005 with written terms of reference in compliance with the Code which are available on the respective websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy of the Directors and members of senior management. The Remuneration Committee has adopted the approach made under B.1.2(c) of the Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Meetings of the Remuneration Committee shall be held at least once a year. The Remuneration Committee currently comprises three independent non-executive Directors, namely Ms. Chen Yen Yung (as the chairman of the committee), Mr. Lau Kwok Hung and Mr. Deng Shimin. For the Year, the Remuneration Committee has held 1 meeting, mainly to review the existing policy and structure of the remuneration of the Directors and senior management, and make recommendation to the Board on the remuneration of proposed Directors appointed during the Year. The attendance is as follows:

	Number of attendance
Ms. Chen Yen Yung *(Chairman) (Note)* (appointed on 7 September 2018)	N/A
Mr. Lau Kwok Hung	1/1
Mr. Deng Shimin	1/1
Mr. Ng Cheuk Lun *(Note)* (resigned on 7 September 2018)	0/1

Note: Ms. Chen Yen Yung replaced Mr. Ng Cheuk Lun as chairman of the committee following Mr. Ng Cheuk Lun ceased to be the chairman of the committee on 7 September 2018. Their respective attendances above were stated by reference to the number of meetings held during their tenure.

The remuneration of the senior management (comprising Directors) of the Company for the Year, by band is set out below:

Remuneration Band	**Number of individuals**	
	2018	**2017**
Nil to HK$1,000,000	8	9

Further details of the Directors' remuneration for the Year are disclosed in note 14 to the financial statements contained in this Annual Report.

AUDIT COMMITTEE

The Company has had the Audit Committee with written terms of reference in compliance with the Code which are available on the respective websites of the Company and the Stock Exchange. It is responsible for reviewing the Group's financial reporting, risk management, internal controls and making recommendations to the Board. The Audit Committee currently comprises three independent non-executive Directors, Mr. Lau Kwok Hung (as the chairman of the committee), Mr. Deng Shimin and Ms. Chen Yen Yung.

During the Year, the Audit Committee has held 3 meetings, mainly to have audit planning meeting with auditor in respect of the audit of the financial statements, to review the annual results and the interim results of the Group, to review the internal control system and to make recommendation to the Board of the appointment of auditor. The attendance is as follows:

	Number of attendance
Mr. Lau Kwok Hung *(Chairman)*	3/3
Mr. Deng Shimin	3/3
Ms. Chen Yen Yung *(Note)* (appointed on 7 September 2018)	N/A
Mr. Ng Cheuk Lun *(Note)* (resigned on 7 September 2018)	3/3

Note: Ms. Chen Yen Yung replaced Mr. Ng Cheuk Lun as a member of the committee following Mr. Ng Cheuk Lun ceased to be a member of the committee on 7 September 2018. Their respective attendances above was stated by reference to the number of meetings held during their tenure.

AUDITOR'S REMUNERATION

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 RMB1,558,000, of which RMB737,000 was incurred for statutory audit and RMB821,000 was incurred for non-audit services which mainly included other professional services.

DIRECTOR'S REMUNERATION

The emoluments payable to Directors and senior managements will depend on their respective contractual terms under the letter of appointment or service contracts and is fixed by the Board with reference to the recommendation of the Remuneration Committee (in case of non-executive Directors) and their duties and responsibilities within the Company or determined by the Remuneration Committee (in case of executive Directors) with reference to their duties and responsibilities within the Company. Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy on 28 March 2019. Pursuant to the policy, the Company should maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its share value in recommending or declaring dividends. The Company does not have any pre-determined dividend distribution ratio. The proposal of payment and the amount of dividends will be made at the discretion of the Board and will depend on the Group's results of operations, earnings, financial condition, cash requirements and availability, future capital expenditure and development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant. The Board will review the dividend policy as appropriate from time to time.

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for introducing and continuously maintaining sound and effective internal control systems of the Group and reviews its adequacy and effectiveness. It is committed to review and implement effective and sound internal controls systems to safeguard shareholders' interests. The Board has delegated to the management with defined structure and limited authority, to conduct reviews on and maintenance of all material controls including proper financial and accounting records, operational and compliance and risk management functions as well as the implementation of the internal control system to ensure compliance with relevant legislations and regulations.

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise. The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

Through external consultant, the Board had conducted an annual review of the effectiveness of the risk management and internal control systems of the Group for the Year, and considered them effective and adequate. The internal control systems will be reviewed on an ongoing basis by the Board in order to make it practical and effective.

COMPANY SECRETARY

Mr. Leung Kwok Fai Ben Rich was the company secretary of the Company from 9 August 2017 and resigned on 31 December 2018.

On 1 January 2019, the Company engaged an external professional company secretarial services provider, Mr. Lam Man Kit ("Mr. Lam"), to act as the named company secretary of the Company and provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Mr. Xu Lidi, an executive Director of the Company, is the primary corporate contact person at the Company for the Company Secretary.

In compliance with the requirement under Rule 3.29 of the Listing Rules, Mr. Lam has taken no less than 15 hours of relevant professional training during the Year.

CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company as adopted by a special resolution passed at the general meeting held on 24 May 2004 is available at the Company's website and the Stock Exchange's website. No further changes have been made to the Company's Articles of Association during the Year.

SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to Article 68 of the Articles of Association of the Company, any two or more Members 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 have the right, by written requisition and deposited at the principal office of the Company in Hong Kong (or, in the event the Company ceases to have such a principal office, the registered office) to require extraordinary general meeting(s) to be called by the Board for the transaction of any business specified in such requisition; and if the Board does not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting(s) to be held within a further twenty-one 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 such meeting(s) in the same manner, as nearly as possible, as that in which meeting(s) may be convened by the Board provided that any meeting(s) so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDER'S MEETING

Shareholders of the Company to putting forward proposals for discussion at general meeting should follow the procedures set out in the "Shareholders to Convene an Extraordinary General Meeting".

PROCEDURES FOR NOMINATION OF DIRECTORS FOR ELECTION

The procedures for shareholders of the Company to propose a person for election as a Director are available and accessible on the Company's website at www.mayer.com.cn.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at the Company's registered office at 21st Floor, No. 88 Lockhart Road, Wanchai, Hong Kong. The Company Secretary is responsible for forwarding communications to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' questions.

COMMUNICATION WITH SHAREHOLDERS

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 and extraordinary 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.

WHISTLEBLOWING POLICY

All staff is regarded as an informal monitor. The Group relies on each of its employee, at all levels, to monitor quality, ethics and professional and the Group's standards. The Group listens to employee concerns, receives recommendations for improving the Group's practices and controls and announces timely communications on policy changes and other matters of the Group.

EXECUTIVE DIRECTOR

Mr. Lee Kwok Leung ("Mr. Lee"), aged 65, was nominated and appointed as an executive Director and the chairman of the Board by the Shareholders at the first extraordinary general meeting in 2014. Mr. Lee is also an authorized representative, the chairman of the nomination committee of the Board and a director in a number of subsidiaries of the Company. Mr. Lee has approximately 26 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 Silverstone Investments Limited (formerly known as Success Talent Investments Limited), a Type 4 and 9 regulated entity registered with the Securities and Futures Commission of Hong Kong.

Mr. Lee is currently an executive director of China Internet Investment Finance Holdings Limited (formerly known as Opes Asia Development Limited)(stock code: 810) and an independent non-executive director of Imperial Pacific International Holdings Limited (formerly known as First Natural Foods Holdings Limited) (stock code: 1076), both companies are listed on the main board of the Hong Kong Stock Exchange, and was a non-executive director of Starlight Culture Entertainment Group Limited (formerly known as Karce International Holdings Company Limited, and subsequently Sinogreen Energy International Group Limited and Jimei International Entertainment Group Limited) (stock code: 1159), a company listed on the main board of the Stock Exchange, until 31 August 2013.

Mr. Xu Lidi ("Mr. Xu"), aged 54, was nominated and appointed as an executive Director by the Shareholders at the second extraordinary general meeting in 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, the PRC and a doctor of philosophy degree in Economics from Nueva Ecija University of Science and Technology, the Philippines. Mr. Xu has been a visiting-professor of the economic and business and administration 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 industry and commerce sector and financial sector.

Mr. Xu was a non-executive director of Pacific Dairy Limited (formerly known as Australian Natural Proteins Limited) (ASX stock code: PDF (formerly known as: AYB)), the shares of which is listed on the Australian Stock Exchange Limited.

Mr. Lin Jinhe ("Mr. Lin"), aged 41, was nominated and appointed as an executive Director by the Shareholders at the second extraordinary general meeting in 2014. Mr. Lin is also 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.

NON-EXECUTIVE DIRECTOR

Mr. Wang Dongqi ("Mr. Wang"), aged 46, since 14 February 2017, has been a director of Guangzhou Mayer Corporation Limited, a non-wholly owned subsidiary of the Company. Mr. Wang was appointed as a non-executive director of the Company with effect from 17 August 2017.

Mr. Wang had served in the navy of the PRC; thereafter, Mr. Wang has worked in various corporations in the sectors of trading and investment in the PRC, accumulating more than 13 years extensive working experience in corporate administration and finance management with a powerful friend-sourcing network.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lau Kwok Hung ("Mr. Lau"), aged 72, was appointed as an independent non-executive Director of the Company on 9 October 2014. Mr. Lau is also the chairman and a member of the audit committee, and a member of the nomination committee and the remuneration committee of the Board. 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 Diploma in Insolvency issued by the Hong Kong Institute of Certified Public Accountants and an Executive Diploma in International Business Valuation issued by the School of Professional and Continuing Education of the University of Hong Kong.

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 Rich Goldman Holdings Limited (stock code: 70) (formerly known as Massive Resources International Corporation and subsequently Neptune Group Limited), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Deng Shimin ("Mr. Deng"), aged 61, was appointed as an independent non-executive director of the Company on 19 April 2016. He is also a member of the audit committee, nomination committee and remuneration committee of the Company.

He graduated from the Zhengzhou University with a Bachelor Degree in Economics in 1983. Mr. Deng holds a Master's Degree in Law rewarded by the China University of Political Science and Law in 1997 and a doctor's degree in economics rewarded by the Renmin University of China in 2003. Mr. Deng has extensive working experience at supervising level in the financial industry. Mr. Deng was qualified as a senior economist and a researcher of the Bank of Communications in 1994 and 1998, respectively. 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), a company listed on the Shanghai Stock Exchange, during the years from 2002 to 2003. Mr. Deng was the vice president of the 5th and 6th Henan Institute of Finance, a member of the 7th executive council of China Youth Entrepreneurs Association* and a committee member of the 8th Chinese People's Political Consultative Conference of Henan Province*, the PRC.

Ms. Chen Yen Yung ("Ms. Chen"), aged 47, was appointed in September 2018 as an independent non-executive director of the Company by the Board and appointed as the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company.

Ms. Chen has over 20 years' experience in the accounting and finance field. She is a member of the Australian Society of Certified Public Accountants and an associate member of the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants). She studied in The Hong Kong Polytechnic University for higher certificate in accountancy and holds a bachelor's degree in commerce (accounting) from the Curtin University of Technology, Western Australia.

From February 1995 to February 2001, she was employed by K.L. Lee & Partners CPA Limited (subsequently known as KLL Associates CPA Ltd. and merged with BDO Limited in 2005), a certified practicing accountancy firm in Hong Kong with her last position as assistant manager.

From February 2001 to June 2002, she was employed by B&M Consultants Limited (currently known as BMI Consultants Limited), a business consultancy company in Hong Kong with her last position as director. Ms. Chen is currently the company secretary of Zhejiang Yongan Rongtong Holdings Co., Ltd.*（浙江永安融通控股股份有限公司）, formerly known as Zhejiang Yonglong Enterprises Co., Ltd.*（浙江永隆實業股份有限公司）, (stock code: 8211), a joint stock limited company incorporated in the PRC, whose H shares are listed on the GEM board of the Stock Exchange.

The Directors of the Company is pleased to present this report of the Directors together with 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 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group principally engaged in the processing, manufacturing and selling of steel sheets, steel pipes and other steel products in the PRC. The activities of the subsidiaries are set out in note 37 to the consolidated financial statements.

An analysis of the Group's performance for the Year is set out in Segment Information in note 10 to the consolidated financial statements.

BUSINESS REVIEW

Details of business review during the Year are set out in section "Business Review" on page 4 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group has endeavoured to protect the environment by minimizing environmental adverse in daily operations, such as investing in energy-efficient lighting and equipment, enhancing paper recycling to reduce consumption and waste, and raising the environmental awareness of our people. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organization.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands with its shares listed on the Main Board of Stock Exchange. The Group principally engaged in the processing, manufacturing and selling of steel sheets, steel pipes and other steel products in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations in the Cayman Islands, Hong Kong, Singapore and the PRC during the Year.

KEY RELATIONSHIPS WITH EMPLOYEES

The emolument policy of the employees of the Group is set up by the Remuneration Committee of the Company on the basis of their merit, qualifications and competence. The emoluments of the Directors of the Company are monitored by the Remuneration Committee of the Company having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the five largest customers accounted for 5.8% & 23.3% (2017: 9.8% and 28.3% respectively) of the Group's total turnover for the Year, respectively. The largest and the five largest suppliers accounted for 55% & 72% (2017: 70% and 86%respectively) 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.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group are set out in the note 36 to the financial statements. None of these related party transactions constitute any connected transactions as defined under the Chapter 14A of the Listing Rules.

BORROWINGS

Details of borrowings of the Group during the year are set out in note 27 and 34 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 December 2018 is set out in the consolidated financial statements of profit or loss and other comprehensive income on pages 50 to 51 of this annual report.

No interim dividend was declared during the Year. The Directors do not recommend the payment of a final dividend.

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 109 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 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements of the reserves of the Company and the Group during the year ended 31 December 2018 are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity on page 54 of this annual report respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2018, the Company has no distributable reserves available for distribution to the shareholders (2017: RMB12,672,000).

SUBSIDIARIES

Particulars of the Company's principle subsidiaries as at 31 December 2018 are set out in note 37 to the consolidated financial statements.

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.

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 at an appropriate moment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Pursuant to the special resolution passed on an extraordinary general meeting of the Company held on 15 October 2018, the Company repurchased and cancelled 236,363,636 ordinary shares of HK$0.1 each through purchase from Make Success Limited. Save as the above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares in the year ended 31 December 2018.

DIRECTORS

The directors of the Company during the Year and up to the date of this annual report have been:

Executive directors

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

Non-executive directors

Mr. Wang Dongqi

Independent non-executive directors

Mr. Lau Kwok Hung	
Mr. Deng Shimin	
Ms. Chen Yen Yung	(appointed on 7 September 2018)
Mr. Ng Cheuk Lun	(resigned on 7 September 2018)

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

BIOGRAPHIC INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out on pages 31to 33 of this annual report.

EMOLUMENTS OF DIRECTORS

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

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss for the Year are set out in notes 13 and 28 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 one to 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 one to 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his independence in 2018 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 36 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 2018, 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 of director	*Note*	**Capacity and nature of interest**	**Long position/ Short position**	**Number of shares/underlying shares held**	**Approximate percentage of the issued share capital of the Company**
Lin Jinhe	*1*	Interest in controlled corporation/ Beneficial owner	Long position	280,000,000	16.02%

Note 1: As at 31 December 2018, 280,000,000 Shares, representing approximately 16.02% of the issued Shares, were held by Bumper East Limited ("Bumper East"), a company wholly owned by Mr. Lin Jinhe ("Mr. Lin") who is an executive Director of the Company. By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lin was deemed to be interested in the 280,000,000 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 2018, 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'/OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, 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 Shares

Name of shareholders	*Note*	Capacity and nature of interest	Number of shares/underlying shares held	Approximate percentage of the issued share capital of the Company
Aspial Investment Limited		Beneficial owner	460,000,000	26.32%
Chen Wei	*1*	Interest in controlled corporation	460,000,000	26.32%
Bumper East Limited	*2*	Beneficial owner	280,000,000	16.02%
Wong Shek Kwan		Beneficial owner	170,000,000	9.73%
Cheng Siu Ang	*3*	Interests held jointly with another person/Beneficial owner	162,000,000	9.27%
So Pak Wing	*3*	Interests held jointly with another person/Beneficial owner	162,000,000	9.27%

Note 1: Mr. Chen Wei ("Mr. Chen") is the legal and beneficial owner of the entire issued share capital of Aspial Investment Limited ("Aspial"). By virtue of the SFO, Mr. Chen is deemed to be interested in the 460,000,000 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 2: As at 31 December 2018, 280,000,000 Shares, representing approximately 16.02% of the issued Shares, were held by Bumper East Limited ("Bumper East"), a company wholly owned by Mr. Lin Jinhe ("Mr. Lin") who is an executive Director of the Company. By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lin was deemed to be interested in the 280,000,000 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.

Note 3: These 162,000,000 shares are jointly held by Mr. So Pak Wing(''Mr. So") and Ms. Cheng Siu Ang ("Ms. Cheng"). Mr. So is the spouse of Ms. Cheng. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. So and Ms. 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.

Save as disclosed above, as at 31 December 2018, 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.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Group, or any of its subsidiaries, and any of the controlling shareholders or any of their subsidiaries during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Year.

PERMITTED INDEMNITY PROVISION

In accordance with article 175 of the Company's Articles of Association, every Director of the Company shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. Subject to the Companies Law, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affection the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

Save as the above, at no time during the year ended 31 December 2018, and up to the date of this annual report, there was or is, any permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) being in force for the benefit at any of the Directors (whether made by the Company or otherwise) or any of the directors of any associated company (if made by the Company).

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 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their close associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

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

AUDITORS

ZHONGHUI ANDA CPA Limited were firstly appointed as auditors of the Company in 2017 upon the resignation of Cheng & Cheng Limited.

The consolidated financial statements for the year ended 31 December 2018 have been audited by ZHONGHUI ANDA CPA Limited. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Lee Kwok Leung
Chairman and Executive Director
Hong Kong, 28 March 2019

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Mayer Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 108, which comprise the consolidated statement of financial position as at 31 December 2018, 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.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1 Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2017, 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 30 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 Cost of goods sold

As we were appointed as auditors of the Group subsequent to the year ended 31 December 2016, we were unable to attend the physical count of the inventories of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") as at 31 December 2016. We were unable to carry out audit procedures to satisfy ourselves as to whether the cost of goods sold have been accurately recorded and properly accounted for in the consolidated financial statements for the year ended 31 December 2017, which form the corresponding figures presented in the consolidated financial statements for the year ended 31 December 2018.

3 Available-for-sale financial assets

As stated in note 21 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 year ended 31 December 2017. 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 should be charged to consolidated profit or loss for the year ended 31 December 2017.

4 Long term receivables

We have not been able to obtain 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 the allowance made on the long term receivables during the year ended 31 December 2018 should be recorded in the consolidated financial statements of 31 December 2017 or 31 December 2018.

5 Unconsolidation of Yield Rise Group

Due to the litigation commenced by the Company against Make Success Limited ("Make Success") and other parties in connection with the breach of the agreement and misrepresentation made by them in 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 2018 and 2017. In addition, the promissory notes and convertible bonds issued for the acquisition were not recognised in the consolidated financial statements for the year ended 31 December 2017. On 20 July 2018, the Company entered settlement deed with Make Success to resolve the matter of the acquisition. Upon the completion of settlement deed on 19 October 2018, Make Success bought back Yield Rise Group and surrendered all the promissory notes and convertible bonds.

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 whether the Company has control over Yield Rise Group up to it being bought back by Make Success on 19 October 2018. We are unable to determine whether Yield Rise Group should be consolidated up to 19 October 2018.

Any adjustments to the above figures might have a consequential effect on the consolidated financial performance for the years ended 31 December 2017 and 2018 and the consolidated financial position as at 31 December 2017 and related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Trade receivables

Refer to Note 24 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of RMB137,233,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's relationship and transaction history with the customers;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers;

– Checking subsequent settlements from the customers; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

Inventory

Refer to Note 23 to the consolidated financial statements

The Group tested the amount of inventory for impairment. This impairment test is significant to our audit because the balance of inventory of RMB69,304,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Attend the physical count to identify and assess aged and obsolete inventory;

– Evaluating the Group's impairment assessment;

– Assessing the ageing of the inventory;

– Assessing the net realisable values of the inventory; and

– Checking subsequent sales and usage of the inventory.

We consider that the Group's impairment test for inventory is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence from points 1 to 5. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to 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 HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Fong Tak Ching
Audit Engagement Director
Practising Certificate Number P06353

Hong Kong, 28 March 2019

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Revenue	*7*	426,149	367,107
Cost of sales		(374,179)	(323,689)
Gross profit		51,970	43,418
Other income	*8*	19,355	15,635
Other net loss	*9*	(48,067)	(2,234)
Distribution costs		(17,791)	(17,667)
Administrative expenses		(54,355)	(47,744)
Other operating expenses		–	(1)
Loss from operations		(48,888)	(8,593)
Impairment loss on amounts due from investee companies		(9)	(17)
Finance costs	*11*	(3,374)	(3,531)
Loss before tax		(52,271)	(12,141)
Income tax expense	*12*	(1,133)	(900)
Loss for the year	*13*	(53,404)	(13,041)
(Loss)/profit for the year attributable to:			
Owners of the Company		(48,937)	(14,606)
Non-controlling interests		(4,467)	1,565
		(53,404)	(13,041)
			(Restated)
Loss per share	*16*		
Basic and diluted *(RMB cents)*		(8.15)	(3.15)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Loss for the year		(53,404)	(13,041)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(6,234)	8,497
Available-for-sale financial assets:			
Net movement in the investment revaluation reserve		–	42,259
Items that may not be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(965)	(4,418)
Financial assets at fair value through other comprehensive income:			
Net movement in the investment revaluation reserve		(39,970)	–
Other comprehensive income for the year, net of tax	17	(47,169)	46,338
Total comprehensive income for the year		(100,573)	33,297
Total comprehensive income for the year attributable to:			
Owners of the Company		(96,106)	31,732
Non-controlling interests		(4,467)	1,565
		(100,573)	33,297

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	18	30,024	32,120
Prepaid land lease payments	19	5,752	5,974
Interest in joint ventures	20	–	–
Available-for-sale financial assets	21	–	68,111
Long term receivables	22	–	50,000
		35,776	156,205
Current assets			
Inventories	23	69,304	51,520
Trade and other receivables	24	195,946	140,690
Prepaid land lease payments	19	222	222
Current tax assets		1,054	276
Cash and cash equivalents	25	174,667	31,317
		441,193	224,025
Current liabilities			
Trade and other payables	26	70,018	86,941
Borrowings	27	20,668	26,922
		90,686	113,863
Net current assets		350,507	110,162
Total assets less current liabilities		386,283	266,367
Non-current liabilities			
Long term borrowings	27	–	10,000
Deferred tax liabilities	29	–	14,086
		–	24,086
NET ASSETS		386,283	242,281

	Notes	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	30	318,093	88,872
Reserves		17,162	97,914
Equity attributable to owners of the Company		335,255	186,786
Non-controlling interests		51,028	55,495
TOTAL EQUITY		386,283	242,281

The consolidated financial statements on pages 50 to 108 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Lee Kwok Leung
Director

Xu Lidi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 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
At 1 January 2018	88,872	196,113	42,259	67,570	25,892	4,950	(21,800)	(217,070)	186,786	55,495	242,281
Profit for the year	–	–	–	–	–	–	–	(48,937)	(48,937)	(4,467)	(53,404)
Exchange differences on translating foreign operations	–	–	–	–	–	–	(7,199)	–	(7,199)	–	(7,199)
Disposal of financial assets at fair value through other comprehensive income	–	–	(42,259)	–	–	–	–	2,289	(39,970)	–	(39,970)
Total comprehensive income for the year	–	–	(42,259)	–	–	–	(7,199)	(46,648)	(96,106)	(4,467)	(100,573)
Share buy-back and cancellation	(19,566)	19,566	–	–	–	–	–	–	–	–	–
Remuneration shares	702	–	–	–	–	–	–	–	702	–	702
Open offer	248,085	(4,212)	–	–	–	–	–	–	243,873	–	243,873
At 31 December 2018	318,093	211,467	–	67,570	25,892	4,950	(28,999)	(263,718)	335,255	51,028	386,283

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Loss before taxation	(52,271)	(12,141)
Adjustment for:		
Interest income	(234)	(378)
Finance costs	3,374	3,531
Dividend income	(10,174)	(7,482)
Depreciation	3,114	4,367
Legal and professional fees	702	–
Amortisation of prepaid land lease payments	222	222
Impairment loss on trade and other receivables	50,516	176
Reversal of write down of inventories	(43)	–
Impairment loss on amounts due from investee companies	9	17
Net (loss) or gain on disposal of property, plant and equipment	(40)	14
Operating loss before working capital changes	(4,825)	(11,674)
Change in inventories	(17,741)	(4,161)
Change in trade and other receivables	(55,781)	(15,275)
Change in financial assets at fair value through profit or loss	–	721
Change in trade and other payables	(16,923)	(146)
Cash used in operations	(95,270)	(30,535)
Income tax paid	(1,911)	(2,233)
Net cash used in operating activities	(97,181)	(32,768)
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	115	11
Payment for purchase of property, plant and equipment	(1,093)	(606)
Dividend income	10,174	7,482
Net proceed from disposal of financial assets at fair value through other comprehensive income	14,055	–
Long term receivables	–	(50,000)
Interest received	234	378
Net cash generated from/(used in) investing activities	23,485	(42,735)

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceed from new borrowings	30,001	95,825
Repayment of borrowings	(46,255)	(129,759)
Net proceeds from open offer	243,873	–
Interest paid	(3,374)	(3,531)
Net cash generated from/(used in) financing activities	224,245	(37,465)
Net increase/(decrease) in cash and cash equivalents	150,549	(112,968)
Cash and cash equivalents at beginning of year	31,317	142,379
Effect of changes in foreign exchange rate	(7,199)	1,906
Cash and cash equivalents at end of year	174,667	31,317
Analysis of cash and cash equivalents		
Bank and cash balances	174,667	31,317

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 37 to the consolidated financial statements.

2. 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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. 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 except as stated below.

HKFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as financial assets at fair value through other comprehensive income.

The Group has taken advantage of the exemption in paragraph 7.2.15 of HKFRS 9 from restating prior periods in respect of HKFRS 9's classification and measurement (including impairment) requirements. Therefore, comparative information has not been restated. The changes in the consolidated amounts reported in the financial statements as at 1 January 2018 are as follows:

	1 January 2018 *RMB'000*
Decrease in available-for-sale investments	(68,111)
Increase in financial assets at fair value through other comprehensive income	68,111

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 except as stated below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's leased premises are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and amortisaton on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35, the Group's future minimum lease payments under non-cancellable operating leases for its leased premises amounted to approximately RMB542,000 as at 31 December 2018. Based on a preliminary assessment, the Group anticipates that the initial adoption of HKFRS 16 in the future will result in an increase in right-of-use assets and lease liabilities, which is unlikely to have material impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expense under existing standard) on the Group's financial performance will not be material.

3. 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 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 4 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. Financial assets

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

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost; and

– Financial assets at fair value through other comprehensive income.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Financial assets at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

i. Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

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 from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

p. Other income

Interest income is recognised using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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.

v. 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.

w. 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.

x. 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.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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 or sold.

(c) 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.

5. 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 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 5.5% (2017: 8.3%) and 19.8% (2017:28.0%) 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.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when the Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Long term receivables *RMB'000*	**Other receivables** *RMB'000*	**Total** *RMB'000*
Balance as at 31 December 2018	50,000	16,702	66,702
Provision for loss allowance	(50,000)	–	(50,000)
Carrying amounts	–	16,702	16,702
Balance as at 31 December 2017	50,000	1,682	51,682
Provision for loss allowance	–	–	–
Carrying amounts	50,000	1,682	51,682

The balance for long term receivables are consider high risk as these investment companies are uncontactable and the Group considered these loan made by the former management were considered as deceitful acts and were reported to the Police Department of Huangpu District, Guangzhou Municipality in May 2018.

Expected credit loss rate	%	%
2018	100	–
2017	–	–

	Long term receivables *RMB'000*	**Other receivables** *RMB'000*	**Total** *RMB'000*
Loss allowance at 1 January 2017	–	–	–
Increase in provision in 2017	–	–	–
Loss allowance at 31 December 2017	–	–	–
Increase in provision in 2018	50,000	–	50,000
Loss allowance at 31 December 2018	50,000	–	50,000

The increase in loss allowance is due to increase in expected loan amounts.

(c) Liquidity risk

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

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

	Less than 1 year *RMB'000*	**2-5 years** *RMB'000*	**Total** *RMB'000*
At 31 December 2018			
Borrowings	21,619	–	21,619
Trade and other payables	57,335	–	57,335
	78,954	–	78,954
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

(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 2018, 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

	2018	**2017**
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale financial assets	–	68,111
Financial assets at amortised cost (including cash and cash equivalents)	348,251	200,696
Financial liabilities		
Financial liabilities at amortised cost	78,003	111,336

6. 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

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

	2018	2017
	RMB'000	*RMB'000*
At 1 January	68,111	–
Available-for-sales financial assets at cost	–	11,766
Total (loss) or gain recognised in other comprehensive income	(52,977)	56,345
Disposal	(15,134)	–
At 31 December	–	68,111

The total gain recognised in other comprehensive income are presented in financial assets at fair value through other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

During the year, the Group disposed of its financial assets at fair value through other comprehensive income at its fair value of RMB15,134,000 for improving the working capital of the Group. The cumulative gain of the disposal of these investments amounted to RMB2,289,000 was transferred from the investment revaluation reserve to accumulated losses.

(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.

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

7. REVENUE

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

	2018	**2017**
	RMB'000	*RMB'000*
Sales of steel pipes, steel sheet and other products made of steel	426,149	367,107

Disaggregation of revenue from contracts with customers:

	2018	**2017**
Segments	**Steel – PRC**	**Steel – PRC**
	RMB'000	*RMB'000*
Nature of sales		
Indirect export sales	64,141	61,218
Domestic sales	327,021	263,459
Direct export sales	34,987	42,430
Total	426,149	367,107

All revenue is recognised at a point in time.

The Group manufactures and sells steel pipes, steel sheet and other products made of steel to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

8. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Bank interest income	234	378
Dividend income	10,174	7,482
Government subsidy[#]	1,172	1,852
Scrap sales	7,709	5,768
Sundry income	66	155
	19,355	15,635

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

9. OTHER NET LOSS

	2018	2017
	RMB'000	*RMB'000*
Net gain/(loss) on disposal of property, plant and equipment	40	(14)
Net exchange gain/(loss)	2,409	(1,995)
Fair value loss on financial assets at fair value through profit or loss	–	(49)
Impairment loss on trade receivables	(516)	(175)
Impairment loss on other receivables	(50,000)	(1)
	(48,067)	(2,234)

10. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the board of directors of the Company, being the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

The directors regularly review the composition of the Group's reportable segments in order to improve the resource allocation and better assess the performance of the Group. During the year, the directors considered that the "Investment" segment, which was report separately in previous finance years, was not significant to the Group's business. As a result, the results, assets and liabilities were not reported to the directors during the year. Therefore, the Group has identified "Steel – PRC" as the single reportable segment. This segment primarily derives its revenue from the manufacturing 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").

Since "Steel – PRC" is the only operating segment of the Group, no further analysis therefore is presented.

Geographical information:

Since 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 2018 and 2017.

11. FINANCE COSTS

	2018	**2017**
	RMB'000	*RMB'000*
Bank interest expenses	2,059	1,833
Other loans interest	1,167	1,386
Other finance charges	148	312
	3,374	3,531

12. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC corporation income tax	1,133	861
Hong Kong profits tax	–	39
	1,133	900

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the year ended 31 December 2017. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong.

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% (2017: 25%) during the year.

During the year, Guangzhou Mayer is accredited as a High and New Tech Enterprise. As being a High and New Tech Enterprise, it was entitled to a reduced corporate income tax rate of 15% for the year.

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

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 before tax multiplied by applicable tax rates is as follows:

	2018	2017
	RMB'000	*RMB'000*
Loss before tax	(52,271)	(12,141)
Tax at the rates applicable to profits in the countries concerned	(10,510)	(1,230)
Tax effect of non-taxable income	(2,650)	(1,866)
Tax effect of non-deductible expenses	17,771	2,212
Tax effect of utilisation of tax losses not recognised in prior year	(2,316)	–
Tax effect of tax loss not recognised	–	1,554
Tax effect of tax concession	(985)	–
Tax effect of temporary difference not recognised	(407)	–
Others	230	230
Income tax expense for the year	1,133	900

13. LOSS FOR THE YEAR

Loss for the year of the Group is stated after charging/(crediting) the following:

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration		
– audit services	737	683
– other services	821	128
Cost of inventories sold#	374,179	323,689
Depreciation	3,114	4,367
Amortisation of prepaid lease payments	222	222
Net exchange (gain)/loss	(2,409)	1,995
Operating lease charges in respect of land and buildings	579	595
Net (gain)/loss on disposal of property, plant and equipment	(40)	14
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	34,515	38,503
– Retirement benefits scheme contributions	5,406	5,914
	39,921	44,417

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

	2018	2017
	RMB'000	*RMB'000*
Depreciation	2,746	3,787
Reversal of write down of inventories	(43)	–
Staff costs	16,698	17,879

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2018		Directors' Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Xu Lidi		–	637	–	637
Mr. Lee Kwok Leung		–	526	–	526
Mr. Lin Jinhe		–	506	–	506
Non-executive Directors					
Mr. Wang Dongqi	*d*	156	–	–	156
Independent Non-executive Directors					
Mr. Lau Kwok Hung		127	–	–	127
Mr. Deng Shimin		127	–	–	127
Ms. Chen Yen Yung	*b*	40	–	–	40
Mr. Ng Cheuk Lun	*a*	87	–	–	87
Total for the year ended 31 December 2018		537	1,669	–	2,206

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	*c*	23	–	–	23
Mr. Wang Dongqi	*d*	54	–	–	54
Mr. Xia Liangbing	*e*	–	–	–	–
Independent Non-executive Directors					
Mr. Ng Cheuk Lun	*a*	130	–	–	130
Mr. Lau Kwok Hung		130	–	–	130
Mr. Deng Shimin		130	–	–	130
Total for the year ended 31 December 2017		467	1,560	–	2,027

Notes:

a Resigned on 7 September 2018
b Appointed on 7 September 2018
c Resigned on 7 April 2017
d Appointed on 17 August 2017
e Resigned on 17 August 2017

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 (2017: three) director, whose emoluments are reflected in the analysis above. The emoluments of the remaining two (2017: two) individuals are set out below:

	2018	**2017**
	RMB'000	*RMB'000*
Basic salaries and allowances	885	923
Retirement benefits scheme contributions	15	10
	900	933

The emoluments fell within the following bands:

	Number of individuals	
	2018	**2017**
Emolument band:		
Nil – HK$1,000,000	2	2

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

15. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2018 and 2017.

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB48,937,000 (2017: loss of approximately RMB14,606,000) and the weighted average number of 600,606,000 ordinary shares (2017: 463,782,000 ordinary shares, as restated to reflect the share consolidation during the year) in issue during the year.

Diluted loss per share

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

17. OTHER COMPREHENSIVE INCOME FOR THE YEAR

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

	2018			2017		
	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	(7,199)	–	(7,199)	4,079	–	4,079
Available-for-sale financial assets:						
Net movement in the investment revaluation reserve	–	–	–	56,345	(14,086)	42,259
Financial assets at fair value through other comprehensive income:						
Net movement in the investment revaluation reserve	(52,977)	13,007	(39,970)	–	–	–
	(60,176)	13,007	(47,169)	60,424	(14,086)	46,338

18. 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 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 and 1 January 2018	43,385	4,023	106,888	4,165	3,022	185	161,668
Additions	–	–	354	45	–	694	1,093
Transfer	–	–	185	–	–	(185)	–
Disposals	–	–	(18)	(103)	(513)	–	(634)
Exchange differences	–	1	–	–	56	–	57
At 31 December 2018	43,385	4,024	107,409	4,107	2,565	694	162,184
Accumulated depreciation							
At 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
Disposal	–	–	(65)	(122)	–	–	(187)
Exchange differences	–	(2)	–	–	(79)	–	(81)
At 31 December 2017 and 1 January 2018	34,994	4,023	85,263	2,866	2,402	–	129,548
Charge for the year	687	–	1,906	321	200	–	3,114
Disposals	–	–	(8)	(92)	(459)	–	(559)
Exchange differences	–	1	–	–	56	–	57
At 31 December 2018	35,681	4,024	87,161	3,095	2,199	–	132,160
Carrying amounts							
At 31 December 2018	7,704	–	20,248	1,012	366	694	30,024
At 31 December 2017	8,391	–	21,625	1,299	620	185	32,120

As at 31 December 2018, certain property, plant and equipment, amounted approximately RMB Nil (2017: RMB30,697,000) of the Group were pledged to secure the borrowing granted to the Group (note 27).

19. PREPAID LAND LEASE PAYMENTS

	2018	2017
	RMB'000	*RMB'000*
Cost		
At 1 January and 31 December	11,098	11,098
Accumulated amortisation		
At 1 January	4,902	4,680
Charge for the year	222	222
At 31 December	5,124	4,902
Carrying amount		
At 31 December	5,974	6,196
Represented:		
Current assets	222	222
Non-current assets	5,752	5,974
	5,974	6,196

20. INTERESTS IN JOINT VENTURES

	2018	2017
	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 2018 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.

	2018 *RMB'000*	**2017** *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 (2017: RMB808,000).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Unlisted securities at fair value	–	68,111

In 2017, the above unlisted equity securities represented 29.85% equity interest in Vietnam Mayer 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. These unlisted securities were fully disposed in 2018.

22. 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 11% and repayable in January 2020. Full impairment of RMB50,000,000 was recognised during the year as these investment companies are uncontactable and the Group considered these loan made by the former management were considered as deceitful acts and were reported to the Police Department of Huangpu District, Guangzhou Municipality in May 2018.

23. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	36,364	24,383
Work-in-progress	787	913
Finished goods	32,153	26,219
Goods-in-transit	–	5
	69,304	51,520

24. TRADE AND OTHER RECEIVABLES

	2018	**2017**
	RMB'000	*RMB'000*
Trade receivables *(note i)*	139,814	115,776
Less: allowance for doubtful debts	(2,581)	(2,065)
	137,233	113,711
Bills receivables	9,806	3,368
Other receivables *(note ii)*	16,702	1,682
Prepayments and other deposits	32,205	21,929
	195,946	140,690

(i) Trade receivables

Trade receivables are due within 60 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:

	2018	**2017**
	RMB'000	*RMB'000*
0 to 30 days	49,847	36,885
31 to 60 days	37,755	34,886
61 to 90 days	27,418	21,129
91 to 180 days	21,608	20,811
Over 180 days	605	–
	137,233	113,711

Reconciliation of allowance for trade receivables:

	2018	**2017**
	RMB'000	*RMB'000*
At 1 January	2,065	1,907
Bad debts written off	–	(17)
Allowance for the year	516	175
At 31 December	2,581	2,065

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	**Over 30 days past due**	**Over 60 days past due**	**Over 120 days past due**	**Total**
At 31 December 2018					
Weighted average expected loss rate	**1%**	**1%**	**2%**	**50%**	
Receivable amount *(RMB)*	**123,113**	**11,778**	**2,561**	**2,362**	**139,814**
Loss allowance *(RMB)*	**1,231**	**118**	**51**	**1,181**	**2,581**
At 31 December 2017					
Weighted average expected loss rate	1%	1%	50%	100%	
Receivable amount *(RMB)*	110,522	3,667	1,329	258	115,776
Loss allowance *(RMB)*	1,105	37	665	258	2,065

(ii) Other receivables

Included in other receivables was a deposit of RMB15,811,000 (HK$18,000,000) (2017: NIL) in a financial institution. Such deposit has an annual return of no less than 11%. The principal and interest can be withdrew upon one month notice given to the financial institution.

25 CASH AND CASH EQUIVALENTS

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB20,038,000 (2017: approximately RMB26,909,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

26. TRADE AND OTHER PAYABLES

	2018	**2017**
	RMB'000	*RMB'000*
Trade payables *(note i)*	18,426	16,929
Other payables	38,909	57,485
Dividend payable	565	536
Contract liabilities *(note ii)*	12,118	11,991
	70,018	86,941

(i) Trade payables

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

	2018	**2017**
	RMB'000	*RMB'000*
0 to 30 days	13,019	10,815
31 to 60 days	2,611	4,460
61 to 90 days	678	399
91 to 180 days	843	643
181 to 365 days	734	423
Over 365 days	541	189
	18,426	16,929

(ii) Contract liabilities

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 1 January 2017 RMB'000
Manufacturing and sales of steel pipes, steel sheet and other products made of steel	12,118	11,991	13,067

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2018 RMB'000	2017 RMB'000
– 2018	–	15,747
– 2019	20,139	–
	20,139	15,747

	2018 RMB'000	2017 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	3,529	3,726

Significant changes in contract liabilities during the year:

	2018 RMB'000	2017 RMB'000
Increase due to operations in the year	3,656	2,650
Transfer of contract liabilities to revenue	(3,529)	(3,726)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

27. BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Other borrowing – secured	–	10,000
Bank borrowings – unsecured	20,001	–
Other borrowings – unsecured	667	26,922
	20,668	36,922

The borrowings are repayable as follows:

	2018	2017
On demand or within one year	20,668	26,922
In the second year	–	10,000
	20,668	36,922
Less: Amount due for settlement within 12 months	(20,668)	(26,922)
Amount due for settlement after 12 months	–	10,000

The average interest rates at 31 December were as follows:

	2018	2017
Other borrowing – secured	–	8%
Bank borrowings – unsecured	4.35% – 5.22%	1.18% – 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.

At 31 December 2017, 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 18 to the consolidated financial statements and is arranged at fixed interest rate of 8% per annum.

28. 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.

29. 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 2017	–
Recognised in other comprehensive income	(14,086)
At 31 December 2017 and 1 January 2018	(14,086)
Tax paid	1,079
Recognised in other comprehensive income	13,007
At 31 December 2018	–

30. SHARE CAPITAL

		Number of shares	Amount
		'000	*RMB'000*
Authorised:			
Ordinary shares of HK$0.1 each at 1 January 2017, 31 December 2017 and 1 January 2018		2,000,000	195,662
Share consolidation	*(a)(ii)*	(1,000,000)	–
Increase in authorised share capital	*(a)(iii)*	3,000,000	529,181
Ordinary shares of HK$0.2 each at 31 December 2018		4,000,000	724,843
Issued and fully paid:			
At 1 January 2017, 31 December 2017 and 1 January 2018		927,564	88,872
Repurchase and Cancellation of Shares	*(a)(i)*	(236,364)	(19,566)
Share consolidation	*(a)(ii)*	(345,600)	–
Remuneration shares	*(a)(iv)*	4,000	702
Open offer	*(b)*	1,398,400	248,085
At 31 December 2018		1,748,000	318,093

Notes:

(a) Pursuant to the special resolution passed on extraordinary general meeting held on 15 October 2018:

(i) the Company repurchased and cancelled 236,363,636 ordinary shares of HK$0.1 each through purchase from Make Success Limited. The nominal value of the shares of RMB$19,566,000 has been deducted from the share capital and share premium account;

(ii) every two issued and unissued shares of the Company of a nominal value of HK$0.1 each consolidated into one share of a nominal value of HK$0.2, such that following such consolidation, the Company's authorized share capital HK$200,000,000 divided into 1,000,000,000 shares of a nominal value of HK$0.2 each;

(iii) the authorized share capital of the Company was to increase to HK$800,000,000 divided into 4,000,000,000 shares of a nominal value of HK$0.2 each, by the creation of 3,000,000,000 shares of a nominal value of HK$0.2 each;

(iv) issue of 4,000,000 shares of a nominal value of HK$0.2 at issue price of HK$0.2 per share for the settlement of part of the professional fees amounted to HK$800,000.

(b) On 20 July 2018, the Company entered into the underwriting agreement with the underwriter in respect of the open offer of four offer shares for every one share held on record date at HK$0.2 per adjusted share. The open offer was completed on 19 November 2018. The proceeds of the open offer was amounted to approximately HK$279,680,000 (equivalent to RMB248,085,000). The underwriting commission and other related expenses of approximately HK$4,786,000 (equivalent to RMB4,212,000) was deducted from share premium.

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:

	2018	**2017**
	RMB'000	*RMB'000*
Total debt	20,668	36,922
Less: cash and cash equivalents	(174,667)	(31,317)
Net debt	(153,999)	5,605
Total equity	386,283	242,281
Net debt-to-capital ratio	–40%	2%

The decrease in the debt-to-adjusted capital ratio during 2018 resulted primarily from the issue of new shares.

31. 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 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)
At 1 January 2018	196,113	125,211	(50,147)	(308,652)	(37,475)
Loss for the year	–	–	–	(29,011)	(29,011)
Open offer	(4,212)	–	–	–	(4,212)
Share buy-back and cancellation	19,566	–	–	–	19,566
Exchange difference on translation of financial statements to presentation currency	–	–	(965)	–	(965)
At 31 December 2018	211,467	125,211	(51,112)	(337,663)	(52,097)

(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$0.1 each and the special reserve of RMB83,570,000 arising from exchange of 1 share of the Company of HK$0.1 for the entire share capital of Bamian 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 3c.

(vi) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3 (h)(ii) to the financial statements.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018	2017
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	117,143	111,065
Interest in joint ventures	–	–
	117,143	111,065
Current assets		
Deposit, prepayments and other receivable	25,654	618
Due from subsidiaries	3,092	2,593
Cash and cash equivalents	151,065	1,251
	179,811	4,462
Current liabilities		
Other payables	29,051	40,549
Due to subsidiaries	410	495
Borrowings	1,493	23,086
	30,954	64,130
Net current assets/(liabilities)	148,857	(59,668)
Total assets less current liabilities	266,000	51,397
NET ASSETS	266,000	51,397
Capital and reserves		
Share capital	318,097	88,872
Reserves	(52,097)	(37,475)
TOTAL EQUITY	266,000	51,397

33. CONTINGENT LIABILITIES

a. 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.

b. 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 had heard the winding up petition on 27 December 2018 and the judgement of the hearing has yet to be released. 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.

c. 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.

34. 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 2017	73,015
Changes in cash flows	(33,934)
Interest paid	(3,531)
Non-cash changes	
Interest charged	3,531
– exchange difference	(2,159)
At 31 December 2017 and 1 January 2018	36,922
Changes in cash flows	(16,254)
Interest paid	(3,374)
Non-cash changes	
Interest charged	3,374
– exchange difference	–
At 31 December 2018	20,668

35. COMMITMENTS

The Group has no significant capital commitments outstanding at 31 December 2018 and 2017.

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	542	673
In second to fifth years	–	617
	542	1,290

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.

36. 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; and

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

	2018	2017
	RMB'000	*RMB'000*
Salaries and other short-term employee benefit	3,168	2,534
Retirement scheme contribution	–	–
	3,168	2,534

37. 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")#	the People Republic of China ("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	the British Virgin Island ("BVI")	1 ordinary share of USD1 each	100%	–	Inactive
Top Force International Limited	the British Virgin Island ("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.

	Guangzhou Mayer	
Name	**2018**	**2017**
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	35,998	156,426
Current assets	263,180	221,637
Current liabilities	(57,430)	(48,967)
Non-current liabilities	–	(24,086)
Net assets	241,748	305,010
Accumulated NCI	51,028	55,495
Year ended 31 December:		
Revenue	426,149	367,107
(Loss)/Profit for the year	(24,014)	8,419
Total comprehensive income	(24,014)	8,419
(Loss)/Profit allocated to NCI	(4,467)	1,565
Dividends paid to NCI	–	–
Net cash used in operating activities	(26,798)	(30,264)
Net cash generated from/(used in) investing activities	21,044	(43,258)
Net cash used in financing activities	(706)	(37,522)
Net decrease in cash and cash equivalents	(6,460)	(111,044)

As at 31 December 2018, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB20,038,000 (2017: RMB26,909,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019.

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				
	2014	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Continuing Operations:					
Revenue	541,360	420,225	388,678	367,107	426,149
(Loss)/profit before taxation	(13,950)	(8,241)	23,225	(12,141)	(52,271)
Income tax expense	(120)	–	(3,467)	(900)	(1,133)
(Loss)/profit for the year	(14,070)	(8,241)	19,758	(13,041)	(53,404)
Attributable to:					
Owners of the Company	(13,801)	(8,546)	14,825	(14,606)	(48,937)
Non-controlling interests	(269)	305	4,933	1,565	(4,467)
	(14,070)	(8,241)	19,758	(13,041)	(53,404)

	As at 31 December				
	2014	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets	60,376	56,918	53,868	156,205	35,776
Current assets	267,482	256,893	316,289	224,025	441,193
Current liabilities	(126,162)	(121,834)	(161,173)	(113,863)	(90,686)
Non-current liabilities	–	–	–	(24,086)	–
	201,696	191,977	208,984	242,281	386,283
Share capital	88,872	88,872	88,872	88,872	318,093
Share premium and reserves	64,132	54,108	66,182	97,914	17,162
Proposed final dividend	–	–	–	–	–
Non-controlling interests	48,692	48,997	53,930	55,495	51,028
	201,696	191,977	208,984	242,281	386,283