美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1116)

Annual Report 2019

For identification purpose only

Contents

DIRECTORS

Executive Directors

Mr. Lee Kwok Leung *(Chairman)*
Mr. Xu Lidi *(Chief Executive Officer)*
Mr. Zhou Shi Hao
Mr. Chen Zhirui

Non-executive Director

Mr. Wang Dongqi

Independent Non-executive Directors

Mr. Lau Kwok Hung
Mr. Cheung, Eddie Ho Kuen
Mr. Cheng Yuk Ping

AUDIT COMMITTEE

Mr. Lau Kwok Hung *(Chairman)*
Mr. Cheung, Eddie Ho Kuen
Mr. Cheng Yuk Ping

NOMINATION COMMITTEE

Mr. Lee Kwok Leung *(Chairman)*
Mr. Lau Kwok Hung
Mr. Cheung, Eddie Ho Kuen
Mr. Cheng Yuk Ping

REMUNERATION COMMITTEE

Mr. Cheng Yuk Ping *(Chairman)*
Mr. Lau Kwok Hung
Mr. Cheung, Eddie Ho Kuen

COMPANY SECRETARY

Mr. Lam Man Kit

AUTHORISED REPRESENTATIVES

Mr. Lee Kwok Leung
Mr. Lam Man Kit

AUDITOR

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LEGAL ADVISORS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
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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 (the "**Annual Report**") of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 (the "**Year**").

GUANGZHOU MAYER

Although the global market situation is fluctuating and harsh, especially under the US-China trade war in the Year, Guangzhou Mayer Corporation Limited ("**Guangzhou Mayer**"), a non-wholly owned subsidiary, had managed to achieve an even better result in the Year. Revenue and profit after tax of Guangzhou Mayer for the Year were exceeding RMB580 million and RMB28 miilion respectively, which all had outperformed what were previously forecasted for the Year. These are the achievements of the management of Guangzhou Mayer, by keenly explored domestic market demands in these years by excelling its product type and quality, as well as its production efficiency. Besides, research and development is critical to keep our products being competitive in the market. We paid lots of efforts and investments in cooperation with the Guangdong University of Technology in enhancing production efficiency, upgrading equipment and enlarging production capacity in the Year. That's why we can keep "MAYER", the brand name of the Guangzhou Mayer's stainless steel pipes and components, as a long outstanding prestigious brand in the People's Republic of China (the "**PRC**").

NEW BUSINESS

In the Year, the Group successfully commenced a new page in diversifying the Group's business. Through an acquisition completed in the Year, the Group has stepped in the urban renewal projects in the PRC, focusing at Zhuhai City in the Guangdong province. Our aim is not just limited into one single village redevelopment. By locking with sufficient network, experience and opportunities, a series of redevelopment projects can be engaged with us in the coming years. The redevelopment of Zhuhai City is a key part of the Greater Bay Area project, as such the Yuetang Village redevelopment project is a direct result of the development of the Greater Bay Area, which represents a good opportunity for the Group to further diversify and enhance the profitability of the Group through expanding the Group's business network within the Great Bay Area.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to express my sincere gratitude to all our shareholders ("**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, 6 May 2020

BUSINESS REVIEW

The principal activities of the Group are:

i. Processing, manufacturing and selling of steel pipes, steel sheets and other steel products, through a non-wholly owned subsidiary of the Group, Guangzhou Mayer; and

ii. Urban renewal project planning and consulting, by acquired Happy (Hong Kong) New City Group Limited ("**Happy New City**" or "**Target Company**") in the Year.

Steel pipes, steel sheets and other products made of steels

In 2019, Guangzhou Mayer attained outstanding achievements in terms of production, operation, management, product development and research, and technological innovation. It obtained 5 system and 3 product certifications, 3 letters of credit from prestigious institutions as well as 3 patents. In particular, Guangzhou Mayer proudly won the "Best Investment Value Award*（最具投資價值獎）" at "The Power of Exemplar – FIT Guangdong Technology and Innovation Pioneers Competition*（榜樣的力量－FIT粵科創先鋒大賽）" jointly organised by China Construction Bank and Guangdong Southern Newspaper Media Group*（南方報業集團）. It was recognised as a national high and new technology enterprise and certified as a premium AEO by China Customs. It passed the annual audits of, amongst others, ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, ISO 10012 Measurement Management System, IATF 16949 Automotive Quality Management System and Safe Production Standardisation certification. 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 14 consecutive years.

With respect to production, operation and management, the new management model of knowledge and skills framework ("**KSF**") comprehensive performance-based appraisal has been applied to frontline staff and management personnel at supervisor grade or above in order to motivate them, improve operating efficiency and reduce production costs in an effective manner. Guangzhou Mayer vigorously waged a production safety improvement campaign to effectively ensure the safety of the Group and its staff.

In terms of product research and development as well as technological innovation, the Group has been co-operating with various tertiary institutions. In particular, the Guangdong University of Technology and the Group are also working together to apply for the creation of an "Engineering Institute of Guangdong Province" in addition to the joint establishment of the business-school scientific research base. The business-school collaboration helps the business to upgrade old equipment and improve productivity, thereby bolstering production efficiency and capacity while boosting competitiveness. Being the vice chair of Guangdong Stainless Steel Materials and Products Association*（廣東省不鏽鋼材料與製品協會）and Foshan Metal Material Industry Association*（佛山市金屬材料行業協會）and a member of China Urban Water Association, Guangzhou Mayer actively participated in the formulation and modification of industry standards and regulations, thereby highlighting its leading position in the industry.

Urban renewal project planning and consultancy

Through completion of acquiring Happy New City in the Year (as set out under the title of Acquisitions below), the Group commenced this new business line on urban renewal project planning and consultancy by the end of the Year. Happy New City, through its invested company named Zhuhai Hau Fa Yue Tang Property Development Limited*（珠海華發月堂房產開發有限公司, the "**Project Company**" or "**Hau Fa Yue Tang**"), operates the redevelopment project of Yuetang Village*（月堂村）located in Sanzhao Town, Jinwan District, Zhuhai City.

Based on a co-operation agreement with Jinwan District Sanzao Town Yuyue Village Yuetang Economic Cooperation Association*（金灣區三灶鎮魚月村月堂經濟合作社）in relation to the redevelopment project of approximately 187,809 square meters of land in Yuetang Village, the Project Company conducts urban planning, consulting, organising and preparing the demolition and resettlement compensation plan for the project. Details of this Yuetang Village redevelopment project were set out in the announcement and the circular of the Company dated 11 June 2019 and 23 August 2019.

Besides through Happy New City, the Group also proceeded urban renewal project planning and consultancy in China through other subsidiaries arms.

ACQUISITIONS

Happy New City

On 11 June 2019, Harbour Prestige International Limited ("**Vendor**" or "**Harbour Prestige**"), Mr. Zhou Shi Hao ("**Guarantor**" or "**Mr. Zhou**"), Elate Ample Limited ("**Purchaser**"), a wholly-owned subsidiary of the Company and the Company entered into a sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the entire equity interest in Happy New City at the consideration of HK$260 million, which shall be settled by cash amounted to HK$20 million, the issue and allotment of the Company's shares ("**Shares**") as consideration shares amounted to HK$82 million and the issue of promissory note amounted to HK$158 million. Values for both the consideration shares and promissory note are subject to consideration adjustment, in which are tied to the accumulated audited consolidated profit after tax of the Target Company and its subsidiaries for three financial years ending 31 December 2021 as compared with a target profit level set at HK$260 million ("**Accumulated Target Net Profit**"), same as the consideration in this acquisition.

Besides, in the event that the Accumulated Target Net Profit of the Target Company equals to or less than HK$130 million, the Purchaser is granted the right to exercise at any time during the option period the sale and transfer of the entire issued share capital of the Target Company to the Vendor at a purchase price equivalent to all the funds invested or to be invested by the Purchaser into the Target Company.

This acquisition was completed on 26 November 2019. 410,000,000 consideration shares of the Company had been allotted to the Vendor on the same day, and being held by an escrow agent. The Target Company became an indirect wholly-owned subsidiary of the Company with its financial results consolidated into the Group's financial statement since then.

Details of this acquisition were set out in the announcements of the Company dated 11 June 2019, 12 September 2019, 30 September 2019, 31 October 2019, 26 November 2019 and the circular of the Company dated 23 August 2019.

Guangzhou City Meiheng Steel Company Limited*（廣州市美恒鋼業有限公司）

On 31 October 2019, Guangzhou Mayer acquired the entire equity interest of Guangzhou City Meiheng Steel Company Limited ("**Guangzhou Meiheng**") from an independent third party at a consideration of RMB600,000. Guangzhou Meiheng is principally engaged in wholesaling of steel and metal products. Guangzhou Mayer considered this acquisition can make use of Guangzhou Meiheng's wholesaling network and customer basis in the industry to enhance its sales and marketing strengths.

FINANCIAL REVIEW

Highlight

For the Year, the Group recognised consolidated revenue of approximately RMB580,456,000 representing an increase of 36.2% compared with approximately RMB426,149,000 for the year ended 31 December 2018. Gross profit margin for the Year was 11.3% compared to 12.2% for the year ended 31 December 2018. Profit attributable to owners of the Company was approximately RMB3,322,000 for the Year, as compared to the loss attributable to owners of the Company of approximately RMB48,937,000 for the year ended 31 December 2018. Earnings per share was RMB0.19 cents for the Year and loss per share RMB8.15 cents for the year ended 31 December 2018.

Revenue

The revenue from domestic sales of steel products in the PRC during the Year was approximately RMB476,181,000, representing an increase of approximately 45.6% compared with approximately RMB327,021,000 for the last year. The revenue from indirect export sales of steel products in the PRC during the Year was approximately RMB77,521,000, representing an increase of approximately 20.9% compared with approximately RMB64,141,000 for the last year. The revenue from direct export sales of steel products during the Year was approximately RMB26,754,000 representing a decrease of approximately 23.5% while it was approximately RMB34,987,000 for the year of 2018. As a result, the aggregate revenue of the Group increased by 36.2%, from approximately RMB426,149,000 for the year 2018 to approximately RMB580,456,000 for the Year.

Gross Profit

The Group recorded gross profit of approximately RMB65,357,000 for the Year, with a gross profit margin of approximately 11.3%, compared with gross profit of approximately RMB51,970,000 and gross profit margin of approximately 12.2% for the year ended 31 December 2018. The gross profit margin was slightly declined due to the market is getting more competitive and the cost of steel has risen.

Other Income

The Group's other income decreased from approximately RMB19,355,000 for the year ended 31 December 2018 to approximately RMB11,690,000 for the Year. The decrease was mainly due to no dividend income from an financial asset and reduction in government subsidy in the Year.

Other Net Losses

The Group's other net losses decreased from approximately RMB48,067,000 for the year ended 31 December 2018 to approximately RMB3,319,000 for the Year. The decrease was mainly due to no impairment loss made on long term receivables for the Year.

Operating Expenses

For the Year, the total operating expenses of the Group were approximately RMB60,777,000, of which approximately RMB21,297,000 in distribution costs, approximately RMB39,446,000 in administrative expenses and approximately RMB34,000 in other operating expenses, accounting for approximately 3.7%, 6.8% and 0% of revenue respectively, while the total operating expenses amounts of approximately RMB72,146,000 for the year ended 31 December 2018, of which approximately RMB17,791,000, and RMB54,355,000 for the distribution cost and administrative expenses respectively, accounted for approximately 4.2% and 12.8% of revenue respectively. The decrease in operating expenses was mainly due to the decrease in legal and professional fees related to the resumption of the Company comparing to the year ended 31 December 2018.

Finance Costs

The Group's incurred approximately RMB2,788,000 in finance costs for the Year and approximately RMB3,374,000 for the year ended 31 December 2018, representing a 17.4% decrease, since debt level remained lower throughout the Year while the increment of debt level only happened by the end of the Year.

Profit for the Year

As a result, the Group recorded profit attributable to owners of the Company of approximately RMB3,322,000 for the Year, as compared to a recorded loss attributable to owners of the Company of approximately RMB48,937,000 for the year ended 31 December 2018. Such loss incurred for the year of 2018 was mainly attributable to the RMB50 million impairment loss incurred from the long term receivables.

By referring to the performance target ("**Performance Target**") of Guangzhou Mayer for the year of 2018 as set out in the Company's circular dated 21 September 2018, the profit before tax of Guangzhou Mayer achieved for the Year was approximately RMB28,297,000, in which the Performance Target was achieved as well.

Property, Plant and Equipment

As at 31 December 2019, the carrying amounts of property, plant and equipment amounted to approximately RMB32,642,000, representing an increase of approximately 8.7% when compared to RMB30,024,000 as at 31 December 2018. The increase in cost of property, plant and equipment included additions for replacement and increment in capacity of steel productions of approximately RMB6,306,000 and acquisition of subsidiaries amounted to RMB29,000. Meanwhile, there was a net loss on disposal of property, plant and equipment of approximately RMB221,000 incurred during the Year. As at 31 December 2019 and 2018, no property plant and equipment of the Group were pledged to secure the borrowings granted to the Group.

Right-of-use Assets and Lease liabilities

As at 31 December 2019, the Group recognized the right-of-use assets and lease liabilities amounted to approximately RMB9,631,000 and RMB3,924,000 respectively, as a result of adoption of HKFRS 16 since 1 January 2019. The Group's lease agreements are in terms of fixed periods of 50 years for land and 2 to 3 years for others. Right-of-use assets are depreciated over the the lease term on a straight-line basis. Accordingly, depreciation of right-of-use assets for the Year was approximately RMB370,000.

Interest in an Associate

Through completion of acquiring Happy New City in the Year (as set out in the section of Acquisitions below), the Group commenced this new business line on urban renewal project planning and consultancy by the end of the Year. Happy New City, through its invested company Hau Fa Yue Tang, as an associate of the Group which 49% equity interest indirectly owned by the Company, operates the redevelopment project of Yuetang Village*（月堂村）located in Sanzhao Town, Jinwan District, Zhuhai City. More details of the investment in associate and the acquisition of Happy New City were set out in Business Review and Acquisitions in this Annual Report. As at 31 December 2019, the book value of interest in an associate amounted to approximately RMB209,487,000 which included approximately RMB47,339,000 as goodwill recognised in acquisition, and approximately RMB162,148,000 as share of net assets of the Hau Fa Yue Tang.

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2019, the financial assets at fair value through profit or loss in sum of approximately RMB7,570,000 was incurred from the acquisition of Happy New City in the Year. Contingent consideration receivable of approximately RMB7,187,000 and put option of approximately RMB383,000 were designated at these financial assets which were stated at fair value. These valuations were performed by an independent professional surveyor, who revalued the financial assets as at 31 December 2019 according to fair value requirements under HKFRS 9 Financial Instruments.

Inventories

The inventories was amounted to approximately RMB82,640,000 as at 31 December 2019, representing aggregation of stock in various status being raw materials, working-in-progress, finished goods and goods-in-transit. Raw materials increased by 49.3% from approximately RMB36,364,000 as at 31 December 2018 to approximately RMB54,291,000 as at 31 December 2019 which was in result of purchasing raw material in the late 2019 and finished goods decreased by 17.2% from approximately RMB32,153,000 as 31 December 2018 to approximately RMB26,635,000 as at 31 December 2019 due to increase in sales orders which were fulfilled in late 2019.

Trade and Other Receivables

Trade and other receivables were amounted to approximately RMB293,897,000 as at 31 December 2019, representing an increase of approximately 50.0% when compared to RMB195,946,000 as at 31 December 2018. Increases in trade receivables of 28.3% and bills receivables of 124.3%, as a result of increased revenue during the Year, set off a decrease in other receivables of 67.8%.

Prepayment and Other Deposit

As at 31 December 2019, the Group's prepayment and other deposit were amounted to approximately RMB90,401,000, representing an increase of approximately 180.7% when compared to approximately RMB32,205,000 as at 31 December 2018. The increase is a result of payment made to independent third parties service providers in relation to other land redevelopment projects in the business segment of urban renewal projects planning and consulting.

Trade and Other Payables

Trade and other payables were amounted to approximately RMB101,270,000 as at 31 December 2019, representing an increase of approximately 44.6% when compared to approximately RMB70,018,000 as at 31 December 2018. The increase was mainly due to increment in production of steel segment and purchases in raw material in the late 2019.

Borrowings

As at 31 December 2019 and 2018, the Group's outstanding borrowings were approximately RMB78,139,000 and RMB20,668,000 respectively, in which RMB40,000,000 was a loan from bank in the PRC dominated in RMB and bearing fixed interest rates of 4.35%-5.22% in the Year, while RMB20,000,000 was a loan from bank in the PRC dominated in RMB and bearing fixed interest rates of 4.35% to 5.22% in the year ended 31 December 2018. The rest of the borrowings being loan from third parties dominated in RMB and bearing interest rates of 8% to 10% in the Year and the year ended 31 December 2018.

No assets of the Group were pledged to secured the borrowings as at 31 December 2019 and 2018.

Promissory Notes

Upon the completion date of the acquisition of Happy New City on 26 November 2019, the Company issued Promissory Notes ("**PN**") with a principal amount of HK$158,000,000 as a part of the settlement of the consideration. The PN are interest bearing at 3% p.a. payable semi-annually and the maturity date is in 2 years from the date of issue. The fair value of PN upon issuance was assessed in equivalent to approximately RMB122,260,000 (HK$136,089,944) by an independent valuer. The effective interest rate of the PN is 10%.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had total of 342 (including Directors) employees. Total staff costs for the Year were approximately RMB44,033,000, including retirement benefits cost of approximately RMB5,291,000 and salaries, bonus and allowances approximately RMB38,742,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motivate 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. A new share option scheme ("**Share Option Scheme**") was approved and adopted by the Shareholders in annual general meeting on 31 May 2019. The Board considers that the Share Option Scheme will incentivise more persons to contribute positively to the Group, and facilitate the retention and the recruitment of high-calibre staff of the Group. No options were granted, exercised, cancelled or lapsed under the scheme during the Year.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2019, the authorised share capital of the Company was approximately RMB724,843,000 (HK$800,000,000) divided into 4,000,000,000 Shares and the issued share capital of the Company was approximately RMB391,760,000 (HK$431,600,000) divided into 2,158,000,000 Shares. As at the date of this Annual Report, the share capital of the Company comprises ordinary Shares.

During the Year, 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 RMB339,576,000 as at 31 December 2019 as compared with approximately RMB350,507,000 as at 31 December 2018. The current ratio (current assets divided by current liabilities) changed to approximately 2.85 as at 31 December 2019 from 4.87 as at 31 December 2018. As at 31 December 2019, the Group had a balance of approximately RMB78,139,000 borrowings from bank and third parties to finance the Group's working capital and capital expenditures (31 December 2018: RMB20,668,000).

For the Year, the Group's net cash outflow of approximately RMB64,183,000 from its operating activities, as compared to net cash outflow of approximately RMB97,181,000 for the last year. The decrease in net cash outflow from operating activities was primarily due to the increase in inventories and trade receivables and other receivables and increase in trade and other payables. Net cash outflow of approximately RMB22,925,000 was from investing activities for the Year, mainly due to acquisition of an associate amount to approximately RMB17,043,000. Net cash inflow of approximately RMB55,565,000 was from financing activities, mainly resulted from borrowings. Banks deposits and cash balances as at 31 December 2019 amounted to approximately RMB146,422,000, mainly denominated in Renminbi ("**RMB**") and HK dollars (31 December 2018: RMB174,667,000).

The debt-to-equity ratio (total liabilities divided by total capital) as at 31 December 2019 was approximately 78.7%% while it was 28.5% as at 31 December 2018. Current portion of borrowings accounted for approximately 10.0% and 4.3% of the total assets of the Group as at 31 December 2019 and 31 December 2018, respectively.

Issuance of Consideration Shares

On 26 November 2019, the Company issued and allotted 410,000,000 ordinary Shares at an issue price of HK$0.2 per share to the Vendor, as consideration shares in the acquisition for the entire equity interest in Happy New City. Details of the acquisition are set out under the title of Acquisitions in this Annual Report.

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 Company's circular dated 21 September 2018 and the Company's prospectus dated 29 October 2018.

As at 31 December 2019, approximately RMB42,985,000 (HK$48,761,000) was used for settling legal, consultancy and professional fees and other costs and expenses arising from trading resumption of the Shares, approximately RMB56,484,000 (HK$64,074,000) was used for repayment of outstanding loans, approximately RMB4,668,000 (HK$5,296,000) was used for settling directors' remuneration, approximately RMB4,195,000 (HK$4,692,000) was used for capital expenditure, approximately RMB43,804,000 (HK$49,690,000) was used for the general working capital of the Group and the remaining balance of approximately RMB91,523,000 (HK$102,380,000) remained unutilized, which is expected to be utilized mainly in the year of 2020.

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 2019 and 31 December 2018.

CONTINGENT LIABILITIES

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

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 and circular dated 23 August 2019, 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 PRC. In October 2018, the People's Court of Futian District of Shenzhen City* ("**Futian District Court**") taken up the mentioned petitions from the Court of Qianhai and had heard on 20 November 2018. The Futian District Court made decisions that two defendants shall repay in total RMB30 millions plus interest for the period of possession of the fund to GZ Mayer. At the date of this Annual Report, GZ Mayer has neither been informed that whether the defendants has appealed to such court decisions, nor the defendants has paid GZ Mayer according to such court decisions. Auditors of the Company expressed their qualified opinion on the issue in the financial statement for the year ended 31 December 2018 with full impairment made in the same year.

Petition filed by a Shareholder

Reference is made to the Company's announcements dated 19 October 2018 and 23 August 2019, the Company received a petition dated 15 October 2018 issued by Mr. Chu Ting Yi ("**Mr. Chu**" or the "**Petitioner**"), a Shareholder, 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 "**2018 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, from voting on the resolutions at the 2018 EGM; (ii) alternatively, an order that the votes of Aspial and Bumper be excluded in determining the results of the resolutions at the 2018 EGM; (iii) such further or other reliefs and all necessary and consequential directions as the High Court of Hong Kong may think fit; and (iv) costs.

Mr. Chu and the respondents in this petition made a joint application to the High Court of Hong Kong for its approval of the withdrawal of the petition by the Petitioner, and such approval was granted by the High Court of Hong Kong on 30 April 2019.

Winding Up Petition Against a Subsidiary

Guangzhou Mayer 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 "**Plaintiffs**"). The Intermediate Court had heard the winding up petition on 27 December 2018. Guangzhou Mayer had received a civil judgment letter dated 5 May 2019, which stated all claims by the plaintiffs in this petition were rejected and the Plaintiffs were liable to all the litigation costs of this petition.

Subsequently, the Plaintiffs appealed to the Higher People's Court of Guangdong Province of the PRC (the "**GD Higher Court**"). The GD Higher Court issued a civil judgment letter（no.: (2019)粵民終1703號）on 27 August 2019, stating that the appeal of the case shall be treated as having been voluntarily withdrawn by the Plaintiffs and such judgment shall be final.

CAPITAL COMMITMENTS

The Group has no significant capital commitments outstanding at 31 December 2019 and 2018.

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. 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 taking appropriate further actions to recover the amount, and believes that this audit qualification could be removed in the year ending 31 December 2020.

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.

2. Un-consolidation of Yield Rise Group

In 2018, the Company and the acquirer, 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 and resolved.

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 revenues 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 in different markets thereby reducing its dependency on specific markets.

Investment Risk

To balancing risk and return across investment types are key considerations of investment framework. Risk assessment is one of 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 for further strategic adjustments.

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 support 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, cash and bank balances, 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 monitors and ensures 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 risk of the Group and is satisfied that such systems are effective and adequate for the current operations of the Group.

OUTLOOK

Steel pipes, steel sheets and other products made of steels

In 2020, the PRC government rolled out a series of policies to shore up support for the real economy, open up the Chinese market, stimulate domestic demand and improve public hygiene, health and the environment after signing the phase one trade deal with the United States. Furthermore, the central government is advocating the development of the Guangdong-Hong Kong-Macau Greater Bay Area. It opens the door to new development opportunities for the area, which is the base of the Group and Guangzhou Mayer's businesses. Having food-grade stainless steel pipes as one of its core products, we will grasp this golden opportunity, keep abreast of latest developments and promote the growth of Guangzhou Mayer's businesses.

In respect of carbon steel products, Guangzhou Mayer will take advantage of its close proximity to the largest steel market and automobile production base in southern China to enlarge its domestic market and develop new businesses such as vehicle components. By actively pursuing domestic customers, Guangzhou Mayer will benefit from the current national economic policy to boost domestic demand while offsetting the loss of overseas customers due to the US-China trade war as well as mitigating the adverse impact brought by the sluggish demand for the processing of electronic materials.

With respect to stainless steel pipes and components, the use of stainless steel water pipes has been strongly promoted by dozens of medium and large cities such as Shanghai, Shenzhen, Hangzhou, Chongqing, Changsha, Zhengzhou and so forth in view of the increased efforts in the reconstruction and upgrade of municipal water supply systems, enhanced living standard and prevalence of the awareness about healthy water usage in the PRC. In 2019, the Ministry of Housing and Urban-Rural Development, the State Administration for Market Regulation and other government departments of China have issued multiple documents to recommend and promote the use of thin wall stainless steel pipes to replace traditional plastic pipes with the aim of preventing the generation of secondary pollutants by plasticisers. Environmental-friendly, high-quality and durable thin wall stainless steel pipes have created enormous room for the development of the water supply pipeline industry. Thanks to policy support and prevalence of the awareness about healthy water usage, the adoption of stainless steel pipes as 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. At the same time, it will also actively expand into overseas markets, particularly Australia and Southeast Asia.

The increasingly complicated economic environment and fierce market competition will expose the Group's operation to various challenges. Nevertheless, the management of the Group and, in particular, Guangzhou Mayer will rise to such challenges by capturing business opportunities in a prudent manner, consolidating existing operations, explore new businesses, continue to identify new investment opportunities and diversify its profit streams.

The management of the Group unanimously believes that by utilising its extensive experience in project study, market analysis and investigation, 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.

Urban renewal project planning and consultancy

The Company acquired Happy New City for diversifying the Group's business into an emerging market in Zhuhai City in southern Guangdong province of the PRC. Zhuhai's economy saw significant growth in 2018 with the industrial sector recording an average growth rate of approximately 10.7% in their six leading industries. The volume of imports and exports also grew at approximately 23.2% and 19.9% respectively between 2017 and 2018. In 2018, Zhuhai's real estate sector saw a growth of approximately 13.6% compared with 2017. Both the industrial and property sectors outperformed China's overall market. With several significant investments, developments and projects in progress or near completion, Zhuhai is expected to continue experiencing high growth when moving forward into and beyond 2019.

As a key part of the Greater Bay Area project, the Zhuhai Government has poured significant investments into improving accessibility, accommodations, facilities and attractions for tourism, including (i) RMB360 million to improve transit infrastructure & cityscape; (ii) RMB330 million to support museums & cultural centers; (iii) RMB1.2 billion to improve & revitalise rural areas. The Zhuhai Government is also heavily investing into industrial & logistics infrastructure, such as the Hong Kong – Zhuhai – Macau Bridge, upgrading the Gaolan port & Hengqin new district, a new regional airport and the Zhuhai airport intelligent logistics park, in order to attract foreign investment and enterprises. Zhuhai and the central government's long term goal are to position Zhuhai as a premier tourist destination and as an industrial & logistics maritime hub.

The Zhuhai Government's various investments, developments and projects in the Greater Bay Area will likely generate increasing demand for housing, office space and industrial & logistical capacity. The acquisition may potentially allow the Company to capitalise on any benefits of development of the Greater Bay Area.

The redevelopment of Zhuhai City is a key part of the Greater Bay Area project, as such the Yuetang Village redevelopment project is a direct result of the development of the Greater Bay Area, which represents a good opportunity for the Group to further diversify and enhance the profitability of the Group through expanding the Company's business network within the Great Bay Area.

PROSPECTS

In the first quarter of 2020, the whole world is seriously affected by the COVID-19 outbreak. The Group's operation, manufacturing schedules in factory, commercial discussion with customers as well as government departments are somehow affected, which are something that we even haven't experienced in such great extend in the previous outbreak of SARS in 2003. However, the Board believes the virus impact will be gone eventually and everything can back to normal. Business segments of the Group are all addressing human's basis needs, which shall be able to recover in the early stage of economic recovery.

The Board will keep focus on the existing business and allocating competent financial and/or non-financial resources to different business segments 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 (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the Year except for the deviations from code provisions A.1.8 of the CG 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	As it took time for the Company to solicit a suitable insurer with an insurance plan at reasonable commercial terms and conditions, the Company did not arrange appropriate insurance cover in respect of legal action against its Directors for the Year.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions as set out in the CG Code during the Year of 2019.

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 Shareholders as a whole.

As at the date of this Annual Report, the Board currently comprises eight directors including, Mr. Lee Kwok Leung, Mr. Xu Lidi, Mr. Zhou Shi Hao and Mr. Chen Zhirui as executive Directors, Mr. Wang Dongqi as a non-executive Director and Mr. Lau Kwok Hung, Mr. Cheung, Eddie Ho Kuen and Mr. Cheng Yuk Ping 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, background and qualifications are included in the Biographical Information of Directors and Senior Management from pages 36 to 38 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 OFFICER

There are sperate role of chairman and chief executive officer of the Company. Mr. Lee Kwok Leung, the chairman of the Board and executive Director, is responsible for the leadership and effective running of the Board, who ensures that all material issues were decided by the Board in a conductive manner, responsible for running the Group's business and effectively implements the strategies of the Group. Mr. Xu Lidi, executive Director, also was appointed as the chief executive officer of the Company from 29 November 2019. He not only shares the responsibility to running the Group's business and effectively implements the strategies of the Group, but also leads and monitors the daily operation of the Group's business with other executive Directors.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG 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 4 meetings to discuss among other matters, the Group's affairs, investment projects and the operational and financial performance of the Group. Notice of board meetings was given to all directors fourteen days before regular board meetings. All directors have opportunity on official channel to raise matters for discussion in the agenda. An agenda and accompanying board papers are sent to all directors at least three days before regular board meetings. The Company has held the annual general meeting on 31 May 2019 ("**2019 AGM**") and one general meeting, being the extraordinary general meeting held on 12 September 2019 ("**2019 EGM**").

The attendance records of the Directors to board meetings, 2019 AGM and 2019 EGM being held during the Year are set out below:

	Board Meetings	2019 AGM	2019 EGM
Executive Directors			
Mr. Lee Kwok Leung *(Chairman)*	4/4	1/1	1/1
Mr. Xu Lidi *(Chief Executive Officer)*	4/4	1/1	1/1
Mr. Lin Jinhe *(Note 1)*	1/1	N/A	N/A
Mr. Zhou Shi Hao *(Note 2)*	N/A	N/A	N/A
Mr. Chen Zhirui *(Note 2)*	N/A	N/A	N/A
Non-executive Director			
Mr. Wang Dongqi	4/4	1/1	1/1
Independent Non-executive Directors			
Mr. Lau Kwok Hung	4/4	0/1	1/1
Mr. Cheung, Eddie Ho Kuen *(Note 3)*	1/1	N/A	0/1
Ms. Chen Yen Yung *(Note 4)*	1/1	1/1	N/A
Mr. Deng Shimin *(Note 5)*	4/4	1/1	1/1

Notes:

1. Mr. Lin Jinhe resigned as an executive Director on 7 May 2019. His attendances above were stated by reference to the number of meetings held during his tenure.

2. Mr. Zhou Shi Hao and Mr. Chen Zhirui were appointed as executive Directors on 29 November 2019. Each of their attendances above were stated by reference to the number of meetings held during their tenure.

3. Mr. Cheung, Eddie Ho Kuen was appointed as an independent non-executive Director, each of member of Nomination Committee, Remuneration Committee and Audit Committee on 28 August 2019. His attendances above were stated by reference to the number of meetings held during his tenure.

4. Ms. Chen Yen Yung resigned as an independent non-executive Director and ceased to be the member of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee on 3 June 2019. Her attendances above were stated by reference to the number of meetings held during her tenure.

5. Mr. Deng Shimin resigned as an independent non-executive Director, the member of each of the Audit Committee and Nomination Committee and chairman of Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his 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 seek advice and service of the Company Secretary, who is responsible for providing the Directors with board papers and related materials and ensuring that appropriate and applicable 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 to Article 95 of the Articles of Association, the Board shall have power from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following general meeting, and shall then be eligible for re-election at that meeting. Accordingly, Mr. Zhou Shi Hao, Mr. Chen Zhirui, Mr. Cheung, Eddie Ho Kuen and Mr. Cheng Yuk Ping, being directors appointed by the Board after the 2019 AGM, shall retire from office and, being eligible, will offer himself for re-election at the forthcoming annual general meeting ("**2020 AGM**").

In accordance to Article 112 of the Articles of Association, at each annual general meeting one-third of the Director for the time being shall retire from office by rotation and shall be eligible for re-election provided that every Director shall retire from office by rotation at least once every three years. Accordingly, Mr. Xu Lidi and Mr. Wang Dongqi shall retire by rotation. All the retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM.

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 51 to 56.

NOMINATION COMMITTEE

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

As at the date of this Annual Report, the Nomination Committee 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. Cheung, Eddie Ho Kuen and Mr. Cheng Yuk Ping. For the Year, the Nomination Committee has held 3 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 during the Year
Mr. Lee Kwok Leung	3/3
Mr. Lau Kwok Hung	3/3
Mr. Cheung, Eddie Ho Kuen *(Note 1)*	1/1
Ms. Chen Yen Yung *(Note 2)*	1/1
Mr. Deng Shimin *(Note 3)*	3/3
Mr. Cheng Yuk Ping *(Note 4)*	N/A

Note:

1. Mr. Cheung, Eddie Ho Kuen was appointed as an independent non-executive Director, each of member of Nomination Committee, Remuneration Committee and Audit Committee on 28 August 2019. His attendances above were stated by reference to the number of meetings held during his tenure.

2. Ms. Chen Yen Yung resigned as an independent non-executive Director and ceased to be the member of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee on 3 June 2019. Her attendances above were stated by reference to the number of meetings held during her tenure.

3. Mr. Deng Shimin resigned as an independent non-executive Director, the member of each of the Audit Committee and Nomination Committee and chairman of Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

4. Mr. Cheng Yuk Ping was appointed as the independent non-executive Director, the member of each of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 22 August 2005 with written terms of reference in compliance with the CG 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 CG Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

As at the date of this Annual Report, the Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Cheng Yuk Ping (as the chairman of the committee), Mr. Lau Kwok Hung and Mr. Cheung, Eddie Ho Kuen. Meetings of the Remuneration Committee shall be held at least once a year. For the Year, the Remuneration Committee has held 3 meetings, 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 during the Year
Mr. Lau Kwok Hung	3/3
Mr. Wang Dongqi *(Note 1)*	1/1
Mr. Cheung, Eddie Ho Kuen *(Note 2)*	1/1
Ms. Chen Yen Yung *(Note 3)*	1/1
Mr. Deng Shimin *(Note 4)*	3/3
Mr. Cheng Yuk Ping *(Note 5)*	N/A

Note:

1. Mr. Wang Dongqi, non-executive Director, was appointed as member of each of the Audit Committee and Remuneration Committee from 3 June 2019 till 28 August 2019.

2. Mr. Cheung, Eddie Ho Kuen was appointed as an independent non-executive Director, each of member of Nomination Committee, Remuneration Committee and Audit Committee on 28 August 2019. His attendances above were stated by reference to the number of meetings held during his tenure.

3. Ms. Chen Yen Yung resigned as an independent non-executive Director and ceased to be the member of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee on 3 June 2019. Her attendances above were stated by reference to the number of meetings held during her tenure.

4. Mr. Deng Shimin resigned as an independent non-executive Director, the member of each of the Audit Committee and Nomination Committee and chairman of Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

5. Mr. Cheng Yuk Ping was appointed as the independent non-executive Director, the member of each of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

The remuneration of the Directors and senior managements of the Company for the Year, by band is set out below:

Remuneration Band	**Number of individuals**	
	2019	**2018**
Nil to HK$1,000,000	10	8

Further details of the Directors' remuneration for the Year are disclosed in note 14 to the consolidated 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 CG 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. Cheung, Eddie Ho Kuen and Mr. Cheng Yuk Ping.

During the Year, the Audit Committee has held 2 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 during the Year
Mr. Lau Kwok Hung	2/2
Mr. Wang Dongqi *(Note 1)*	1/1
Mr. Cheung, Eddie Ho Kuen *(Note 2)*	N/A
Ms. Chen Yen Yung *(Note 3)*	1/1
Mr. Deng Shimin *(Note 4)*	2/2
Mr. Cheng Yuk Ping *(Note 5)*	N/A

Note:

1. Mr. Wang Dongqi, non-executive Director, was appointed as member of each of the Audit Committee and Remuneration Committee from 3 June 2019 till 28 August 2019.

2. Mr. Cheung, Eddie Ho Kuen was appointed as an independent non-executive Director, each of member of Nomination Committee, Remuneration Committee and Audit Committee on 28 August 2019. His attendances above were stated by reference to the number of meetings held during his tenure.

3. Ms. Chen Yen Yung resigned as an independent non-executive Director and ceased to be the member of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee on 3 June 2019. Her attendances above were stated by reference to the number of meetings held during her tenure.

4. Mr. Deng Shimin resigned as an independent non-executive Director, the member of each of the Audit Committee and Nomination Committee and chairman of Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his tenure.

5. Mr. Cheng Yuk Ping was appointed as the independent non-executive Director, the member of each of the Audit Committee and Nomination Committee, and the chairman of the Remuneration Committee after the Year on 21 January 2020. His attendances above were stated by reference to the number of meetings held during his 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 Audit 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 approximately amounted to RMB1,308,000 (HK$1,415,000), of which RMB793,000 (HK$900,000) was incurred for statutory audit and RMB515,000 (HK$584,000) 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 to satisfy 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 CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Group and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective system of internal controls to safeguard the Shareholders' investment and the Group's assets. A review of risk management and internal control system of the Group at least annually, covering the material financial, operational and compliance controls.

Risk management

A risk register with risk rating and risk owners were compiled by taking into account for continuous risk assessment purpose. Risk owners are required to take mitigating actions to address the identified risks and such actions are integrated in the day-to-day activities and their effectiveness is closely monitored. During the Year, the risk register has been circulated for discussion and assessed the ratings by key personnel and management, by considering the likelihood and impact of each identified risk. A written risks assessment report with the identified key risks, evaluation of related risks and relevant mitigating actions have been reported to the Audit Committee and reviewed by the Board. The written report facilitates the Board in considering the changes in the nature and extent of significant risks, the Group's ability in responding to changes in its business and the external environment, as well as management's ongoing monitoring of risks and of the internal control system.

Internal control

The Group emphasises the importance of a sound internal control system which is also indispensable for mitigating the Group's key risk exposures. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and Shareholders' interests. For any identified internal control weaknesses or defects, the Group is committed to enhance control measures to rectify such control weaknesses or defects.

The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Internal Audit Function

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.

Review the effectiveness of the risk management and internal control system

Through the Audit Committee, the Board has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the Year by considering written reports prepared by internal control consultants, covering the material financial, operational and compliance controls, which are considered effective and adequate. Audit Committee has annually reviewed the adequacy of resources, qualifications and experience, training and budget of the accounting, internal audit and financial reporting functions.

INSIDE INFORMATION

The Company assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

The Company has put in place on handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

COMPANY SECRETARY

The Company has engaged an external professional company secretarial services provider, Mr. Lam Man Kit ("**Mr. Lam**") since 1 January 2019, 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, the chief executive officer and 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 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, 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 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 annual reports, the interim reports, financial information, announcements published through the Stock Exchange, as well as through the annual and extraordinary general meeting with notice of meetings and circulars. The Company aims to provide 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 price sensitive in 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 66, 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 Company and a director in a number of subsidiaries of the Company. Mr. Lee has approximately 27 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 (currently known as: BOC Investment 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 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 55, was nominated and appointed as an executive Director by the Shareholders at the second extraordinary general meeting in 2014. Mr. Xu was appointed as the Chief Executive Officer of the Company in the year of 2019 and is also a director in a number of subsidiaries of the Group. Mr. Xu obtained a doctoral degree in business administration from Beijing Normal University of the PRC and a Doctor of Philosophy Degree in Economics from Nueva Ecija University of Science and Technology of 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 (ASX stock code: PDF) (formerly known as Australian Natural Proteins Limited (ASX stock code: AYB)), the shares of which was listed on the Australian Stock Exchange Limited.

Mr. Zhou Shi Hao ("Mr. Zhou"), aged 25, was appointed as an executive Director with effect from 29 November 2019. Mr. Zhou is also a director in a number of subsidiaries of the Group. Mr. Zhou graduated from the Faculty of Commerce and Business Administration of the University of British Columbia, Canada, in 2018 with a Bachelor of Commerce degree. Mr. Zhou worked as a senior marketing consultant at TELUS in the same year. He is currently a director of Happy (Hong Kong) New City Group Limited and Harbour Prestige International Limited.

Mr. Chen Zhirui ("Mr. Chen"), aged 43, was appointed as an executive Director with effect from 29 November 2019. Mr. Chen is also a director in various subsidiaries of the Group. Mr. Chen holds a Bachelor's degree in civil engineering from the Southeast University of China. Mr. Chen has over 20 years of experience in the property industry. He has been employed by various companies in the property industry in Zhuhai City over the years. Mr. Chen was appointed as the managing director of Zhuhai Hengqin Zhongle Investment Company Limited*（珠海橫琴眾樂投資有限公司）from 2016 to 2018. Since then, he has been appointed concurrently as the managing director of Zhuhai Zhongle City Renewal Company Limited*（珠海眾樂城市更新有限公司）, the vice chairman and executive vice general manager of Zhuhai Hua Fa Fenghuang Property Development Limited*（珠海華發鳳凰房產開發有限公司）and the vice chairman and executive vice general manager of Zhuhai Hau Fa Yue Tang Property Development Limited*（珠海華發月堂房產開發有限公司）.

NON-EXECUTIVE DIRECTOR

Mr. Wang Dongqi ("Mr. Wang"), aged 47, since 14 February 2017, has been a director of Guangzhou Mayer Corporation Limited, a non-wholly owned subsidiary company 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 trading and investment in the PRC, accumulating more than 14 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 73, was appointed as an independent non-executive Director on 9 October 2014. Mr. Lau is also the chairman of the audit committee and a member of each of nomination committee and 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. Cheung, Eddie Ho Kuen ("Mr. Cheung"), aged 72, was appointed as an independent non-executive Director, and a member of each of the audit committee, the nomination committee and the remuneration committee of the Company on 28 August 2019. Mr. Cheung has over 30 years' experience in commerce, specialized in international trading. Mr. Cheung completed his studies in the United States in the 1970s. Mr. Cheung founded companies in the field of international trading, focused on Sino-U.S. trades.

Mr. Cheng Yuk Ping ("Mr. Cheng"), also known as Zheng Xu*, aged 64, was appointed as an independent non-executive Director with effect from 21 January 2020. He is also a member of each of the audit committee and the nomination committee of the Company and the chairman of the remuneration committee of the Company. Mr. Cheung has actively engaged in trading businesses and public services for years. Since 1985, he has taken up senior management positions in several trading companies and manufacturing enterprises, and has vast experience in the management of business operation. He has been a member of five consecutive sessions of a provincial committee of the Chinese People's Political Consultative Conference for 25 years since 1993 and subsequently a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive social and public relation networks.

The Directors of the Company is pleased to present this report of the Directors together with the audited financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 40 to the consolidated financial statements.

The Group principally engaged in (i) the processing, manufacturing and selling of steel sheets, steel pipes and other steel products in the PRC, and (ii) urban renewal project planning and consulting in the PRC.

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 3 to 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 4.9% and 21.7% (2018: 5.8% and 23.3% respectively) of the Group's total turnover for the Year, respectively. The largest and the five largest suppliers accounted for 26% and 54% (2018: 55% and 72% respectively) of the Group's purchases for the Year, respectively. None of the Directors, their associates or any Shareholders (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 39 to the consolidated 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 29 and 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The result of the Group for the Year is set out in the consolidated financial statements of profit or loss and other comprehensive income on pages 57 to 58 of this Annual Report.

No interim dividend was declared during the Year. The Directors do not recommend the payment of 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 127 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 33 to the consolidated financial statements.

RESERVES

Details of movements of the reserves of the Company and the Group during the Year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity on page 61 of this Annual Report respectively.

DISTRIBUTABLE RESERVE

As at 31 December 2019 and 2018, the Company has no distributable reserves available for distribution to the Shareholders.

SUBSIDIARIES

Particulars of the Company's principle subsidiaries as at 31 December 2019 are set out in note 40 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.

SHARE OPTION SCHEME

The Company's share option scheme previously adopted on 24 May 2004 had expired on 24 May 2014 (the "**Old Share Option Scheme**"). Under the Old Share Option Scheme, no options were granted from its adoption and expiration.

The Shareholders approved the adoption of the Share Option Scheme at the general meeting held on 31 May 2019. The relevant details of the Share Option Scheme was set out in the circular (the "**Circular**") of the Company dated 30 April 2019, unless otherwise defined, the capitalized terms set out herein shall have the same meanings as set out in the Circular.

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Board considers that the Share Option Scheme will incentivise more persons to contribute positively to the Group, and facilitate the retention and the recruitment of high-calibre staff of the Group.

Participants, including advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of the Group, will be determined by the Board according to their potential and/or actual contribution to the business affairs of and benefits to the Group Employees and directors of the Group, including full-time or part-time employees, directors, management, consultants and advisers be given incentives to work towards enhancing the value and attaining the long-term objectives of the Company and for the benefit of the Group. As a whole, the total number of Shares issuable pursuant to the Share Option Scheme will be 174,800,000 Shares, unless the Company obtains an approval from the Shareholders to refresh the 10% limit on the basis that the maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of the Shares.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Board to each grantee upon the grant of Options ("**Exercise Period**"), such period which shall not exceed ten years from the date of grant of the relevant Option. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved under the terms of the Share Option Scheme.

As at 31 December 2019, no option had ever been granted under the Share Option Scheme since its adoption.

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

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

DIRECTORS

The directors of the Company during the Year and up to the date of this Annual Report have been:

Executive Directors

Mr. Lee Kwok Leung *(Chairman)*	
Mr. Xu Lidi *(Chief Executive Officer)*	
Mr. Zhou Shi Hao	(appointed on 29 November 2019)
Mr. Chen Zhirui	(appointed on 29 November 2019)
Mr. Lin Jinhe	(resigned on 7 May 2019)

Non-executive Director

Mr. Wang Dongqi

Independent Non-executive Directors

Mr. Lau Kwok Hung	
Mr. Cheung, Eddie Ho Kuen	(appointed on 28 August 2019)
Mr. Cheng Yuk Ping	(appointed on 21 January 2020)
Ms. Chen Yen Yung	(resigned on 3 June 2019)
Mr. Deng Shimin	(resigned on 21 January 2020)

In accordance to article 95 of the Articles of Association, the Board shall have power from time to time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Any director so appointed shall hold office only until the next following general meeting, and shall then be eligible for re-election at that meeting. Accordingly, Mr. Zhou Shi Hao, Mr. Chen Zhirui, Mr. Cheung, Eddie Ho Kuen and Mr. Cheng Yuk Ping, being directors appointed by the Board after the 2019 AGM, shall retire from office and, being eligible, will offer himself for re-election at the 2020 AGM.

In accordance to article 112 of the Articles of Association, at each annual general meeting one-third of the Director for the time being shall retire from office by rotation and shall be eligible for re-election provided that every Director shall retire from office by rotation at least once every three years. Accordingly, Mr. Xu Lidi and Mr. Wang Dongqi shall retire by rotation. All the retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM.

BIOGRAPHIC INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out on pages 36 to 38 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 staff costs of the Group with retirement benefit schemes charged to the consolidated statement of profit or loss for the Year are set out in notes 13 and 31 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement or appointment letter 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 with not less than one to three months' prior written notice according to the terms of service agreement. Each of the non-executive directors and independent non-executive Directors has entered into a appointment letter 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 or appointment letter 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 their independence in 2019 pursuant to Rule 3.13 of 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 39 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the Directors' and chief executive's 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 Securities and Futures Ordinance (the "**SFO**")), which were required (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity/nature of interest	Long position/short position	Number of Shares held	Approximate percentage of the issued share capital of the Company
Zhou Shi Hao ("**Mr. Zhou**") *(Note)*	Interest in controlled corporation	Long position	410,000,000	19.00%

Note: As at 31 December 2019, 410,000,000 Shares, representing approximately 19% of the issued Shares, were held by Harbour Prestige, a company wholly owned by Mr. Zhou who is an executive Director. By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Zhou was deemed to be interested in the 410,000,000 Shares held by Harbour Prestige.

Save as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as defined in the SFO at 31 December 2019.

SUBSTANTIAL SHAREHOLDERS'/OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests or short positions of every person, other than a Director or chief executive of the Company, in the Shares and underlying shares as recorded in the register required to be kept by the Company under section 336 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	21.32%
Chen Wei	*1*	Interest in controlled corporation	460,000,000	21.32%
Valley Park Global Corporation		Beneficial owner	230,000,000	10.66%
Liu Qiong	*2*	Interest in controlled corporation	230,000,000	10.66%
Liu Haiyang	*2*	Interest in controlled corporation	230,000,000	10.66%
Wong Shek Kwan		Beneficial owner	193,320,000	8.96%
Cheng Siu Ang	*3*	Interests held jointly with another person/Beneficial owner	162,000,000	7.51%
So Pak Wing	*3*	Interests held jointly with another person/Beneficial owner	162,000,000	7.51%

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:

According to the notice of disclosure of interests of Valley Park Global Corporation ("**Valley Park**"), Liu Qiong and Liu Haiyang, who are deemed to be interested in 230,000,000 shares held by Valley Park under Part XV of the SFO, own each of 50% controlling interest of Valley Park. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, both Liu Qiong and Liu Haiyang are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Note 3:

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. Cheng 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 2019, no person had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 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, 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 2019.

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.

INDEPENDENT AUDITORS

The consolidated financial statements for the year ended 31 December 2019 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 2020 AGM.

On behalf of the Board
Lee Kwok Leung
Chairman and Executive Director

Hong Kong, 6 May 2020

中汇
ZHONGHUI

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 57 to 126, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 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 2018 or 31 December 2017.

2 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. 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", 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 year ended 31 December 2018 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 25 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 approximately RMB176,121,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgment 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 24 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 approximately RMB82,640,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgment 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.

Associate

Refer to Note 21 to the consolidated financial statements

The Group tested the amount of interest in an associate for impairment. This impairment test is significant to our audit because the balance of interest in an associate of approximately RMB209,487,000 as at 31 December 2019 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgment and is based on estimates.

Our audit procedures included, among others:

- Understanding and assessing reasonableness of the valuation methodology adopted by management;
- Assessing the reasonableness of the key assumptions;
- Checking the input data to supporting evidence; and
- Checking mathematic accuracy of calculation provided by management.

We consider that the Group's impairment test for interest in an associate 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 2. 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
Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268

Hong Kong, 6 May 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	580,456	426,149
Cost of sales		(515,099)	(374,179)
Gross profit		65,357	51,970
Other income	8	11,690	19,355
Other net loss	9	(3,319)	(48,067)
Distribution costs		(21,297)	(17,791)
Administrative expenses		(39,446)	(54,355)
Other operating expenses		(34)	–
Profit/(loss) from operations		12,951	(48,888)
Impairment loss on amounts due from investee companies		–	(9)
Share of loss of an associate		(24)	–
Finance costs	11	(2,788)	(3,374)
Profit/(loss) before tax		10,139	(52,271)
Income tax expense	12	(2,064)	(1,133)
Profit/(loss) for the year	13	8,075	(53,404)
Profit/(loss) for the year attributable to:			
Owners of the Company		3,322	(48,937)
Non-controlling interests		4,753	(4,467)
		8,075	(53,404)
Earnings/(loss) per share	16		
Basic and diluted *(RMB cents)*		0.19	(8.15)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Profit/(loss) for the year		8,075	(53,404)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		(216)	(6,234)
Items that may not be reclassified to profit or loss:			
Exchange differences on translating foreign operations		4,134	(965)
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*	3,918	(47,169)
Total comprehensive income for the year		11,993	(100,573)
Total comprehensive income for the year attributable to:			
Owners of the Company		7,240	(96,106)
Non-controlling interests		4,753	(4,467)
		11,993	(100,573)

Consolidated Statement of Financial Position
At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	18	32,642	30,024
Right-of-use assets	19	9,631	–
Prepaid land lease payments	20	–	5,752
Interest in joint ventures	22	–	–
Interest in an associate	21	209,487	–
Financial assets at fair value through profit or loss	23	7,570	–
		259,330	35,776
Current assets			
Inventories	24	82,640	69,304
Trade and other receivables	25	293,897	195,946
Prepaid land lease payments	20	–	222
Current tax assets		–	1,054
Cash and cash equivalents	27	146,422	174,667
		522,959	441,193
Current liabilities			
Trade and other payables	28	101,270	70,018
Current tax payables		2,494	–
Lease liabilities	32	1,480	–
Borrowings	29	78,139	20,668
		183,383	90,686
Net current assets		339,576	350,507
Total assets less current liabilities		598,906	386,283
Non-current liabilities			
Lease liabilities	32	2,444	–
Promissory notes	30	122,677	–
		125,121	–
NET ASSETS		473,785	386,283

	Notes	**2019** *RMB'000*	**2018** *RMB'000*
Capital and reserves			
Share capital	*33*	391,760	318,093
Reserves		26,244	17,162
Equity attributable to owners of the Company		418,004	335,255
Non-controlling interests		55,781	51,028
TOTAL EQUITY		473,785	386,283

The consolidated financial statements on pages 57 to 126 were approved and authorised for issue by the board of directors on 6 May 2020 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 2019

	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 2018	88,872	196,113	42,259	67,570	25,892	4,950	(21,800)	(217,070)	186,786	55,495	242,281
Loss 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
At 1 January 2019	318,093	211,467	–	67,570	25,892	4,950	(28,999)	(263,718)	335,255	51,028	386,283
Profit for the year	–	–	–	–	–	–	–	3,322	3,322	4,753	8,075
Exchange differences on translating foreign operations	–	–	–	–	–	–	3,918	–	3,918	–	3,918
Total comprehensive income for the year	–	–	–	–	–	–	3,918	3,322	7,240	4,753	11,993
Issuance of consideration shares	73,667	1,842	–	–	–	–	–	–	75,509	–	75,509
At 31 December 2019	391,760	213,309	–	67,570	25,892	4,950	(25,081)	(260,396)	418,004	55,781	473,785

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit/(Loss) before taxation	10,139	(52,271)
Adjustment for:		
Share of results of an associate	24	–
Interest income	(303)	(234)
Finance costs	2,788	3,374
Dividend income	–	(10,174)
Depreciation	3,398	3,114
Depreciation of right-of-use assets	370	–
Legal and professional fees	–	702
Amortisation of prepaid land lease payments	–	222
Impairment loss on trade and other receivables	2,114	50,516
Reversal of write down of inventories	–	(43)
Impairment loss on amounts due from investee companies	–	9
Change in fair value of financial assets at fair value through profit or loss	79	–
Net loss or (gain) on disposal of property, plant and equipment	221	(40)
Operating profit/(loss) before working capital changes	18,830	(4,825)
Change in inventories	(13,336)	(17,741)
Change in trade and other receivables	(94,554)	(55,781)
Change in trade and other payables	23,383	(16,923)
Cash used in operations	(65,677)	(95,270)
Income tax refund/(paid)	1,494	(1,911)
Net cash used in operating activities	(64,183)	(97,181)
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	121	115
Payment for purchase of property, plant and equipment	(6,306)	(1,093)
Dividend income	–	10,174
Net proceed from disposal of financial assets at fair value through other comprehensive income	–	14,055
Acquisition of an associate	(17,043)	–
Interest received	303	234
Net cash (used in)/generated from investing activities	(22,925)	23,485

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceed from new borrowings	98,139	30,001
Repayment of borrowings	(40,668)	(46,255)
Net proceeds from open offer	–	243,873
Repayment of lease liabilities	(165)	–
Interest paid	(1,741)	(3,374)
Net cash generated from financing activities	55,565	224,245
Net (decrease)/increase in cash and cash equivalents	(31,543)	150,549
Cash and cash equivalents at beginning of year	174,667	31,317
Effect of changes in foreign exchange rate	3,298	(7,199)
Cash and cash equivalents at end of year	146,422	174,667
Analysis of cash and cash equivalents		
Bank and cash balances	146,422	174,667

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 309, Ugland House, Grand Cayman, KYI-1104 Cayman Islands. The principal place of business is located at 21th Floor, No. 88 Lockhart Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 40 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 2019. 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 16 Leases

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to lease which had previously been classified as 'operating leases' under HKAS 17 "Leases".

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 January 2019 as follows:

	RMB'000
At 1 January 2019:	
Increase in right-of-use assets	5,974
Decrease in prepaid land lease payments	(5,974)

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. 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.

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. Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company'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 as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (y) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

c. Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate 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 associate'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 an associate'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 an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate 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 an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

d. 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.

e. 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.

f. 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.

g. Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	25% – 50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

h. 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.

i. 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.

j. 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;

– Financial assets at fair value through other comprehensive income; and

– Financial assets at fair value through profit or loss.

(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.

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

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. Derivative financial instruments

Derivatives (including contingent considerations under business combinations) are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

q. Equity instruments

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

r. 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.

s. Other income

Interest income is recognised using the effective interest method.

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

t. 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.

u. 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.

v. 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.

w. 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.

x. 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.

y. Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than investments, 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.

z. 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.

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.

(d) Impairment of interest in an associate

The interest in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the interest in an associate exceeds their recoverable amounts. The recoverable amounts are determined with reference to the higher of value in use and fair value less costs of disposal. Where the recoverable amounts are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of recoverable amounts, a material impairment loss may arise.

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 8.8% (2018: 5.5%) and 32.0% (2018: 19.8%) 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 2019	50,000	5,380	55,380
Provision for loss allowance	(50,000)	–	(50,000)
Carrying amounts	–	5,380	5,380
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

The balance for long term receivables are considered 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	%	%
2019	100	–
2018	100	–

	Long term receivables *RMB'000*	Other receivables *RMB'000*	Total *RMB'000*
Loss allowance at 1 January 2018	–	–	–
Increase in provision in 2018	50,000	–	50,000
Loss allowance at 31 December 2018 and 31 December 2019	50,000	–	50,000

(c) Liquidity risk

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

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

	Less than 1 year	**2-5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2019			
Borrowings	79,879	–	79,879
Trade and other payables	82,692	–	82,692
Promissory notes	4,237	145,483	149,720
	166,808	145,483	312,291
At 31 December 2018			
Borrowings	21,619	–	21,619
Trade and other payables	57,900	–	57,900
	79,519	–	79,519

(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 2019, 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

	2019	2018
	RMB'000	*RMB'000*
Financial assets		
Financial assets at fair value through profit or loss	7,570	–
Financial assets at amortised cost (including cash and cash equivalents)	364,379	348,251
Financial liabilities		
Financial liabilities at amortised cost	283,499	78,003

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

	2019	2018
	RMB'000	*RMB'000*
At 1 January	–	68,111
Acquisition of subsidiaries	7,649	–
Total loss recognised in profit or loss#	(79)	–
Total loss recognised in other comprehensive income	–	(52,977)
Disposal	–	(15,134)
At 31 December	7,570	–
#Include gains or losses for assets held at end of reporting period	(79)	–

The total loss 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.

The total loss recognised in profit or loss including those for assets held at end of reporting period are presented in other net loss in the statement of profit or loss.

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 *RMB'000*
Put option	Black Scholes Option Pricing Model	Risk free rate	1.953%	Decrease	
		Volatility	36.35%	Decrease	383
Contingent consideration receivable	Discounted cash flow	Discount rate	17%	Decrease	7,187

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.

Disaggregation of revenue from contracts with customers:

	2019	2018
	RMB'000	*RMB'000*
Nature of sales – steel pipes, steel sheets and other products made of steel		
Indirect export sales	77,521	64,141
Domestic sales	476,181	327,021
Direct export sales	26,754	34,987
Total	580,456	426,149

All revenue is recognised at a point in time.

Sales of steel pipes, steel sheets and other products made of steel

The Group manufactures and sells steel pipes, steel sheets 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

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	303	234
Dividend income	–	10,174
Government subsidy#	445	1,172
Scrap sales	9,752	7,709
Other interest income	887	–
Sundry income	303	66
	11,690	19,355

\# 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

	2019	2018
	RMB'000	*RMB'000*
Net (loss)/gain on disposal of property, plant and equipment	(221)	40
Net exchange (loss)/gain	(905)	2,409
Change in fair value of financial assets at fair value through profit or loss	(79)	–
Impairment loss on trade receivables	(2,114)	(516)
Impairment loss on long term receivables	–	(50,000)
	(3,319)	(48,067)

10. SEGMENT INFORMATION

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

– Steel – PRC: this segment primarily derive its revenue from the manufacture and trading of steel pipes, steel sheets and other products made of steel. These products are manufactured in the Group's manufacturing facilities located in PRC.

– Service – PRC: this segment primarily derive its revenue from urban renewal projects planning and consulting in Zhuhai City of Guangdong Province of the PRC.

Segment results, assets and liabilities

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

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. The measure used for reporting segment profit is "EBIT" i.e. "earnings before interest and taxes".

In addition to receiving segment information concerning EBIT, management is provided with segment information concerning revenue, interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation and amortisation, change in fair value of financial assets at fair value through profit or loss, net gain/loss on disposal of property, plant and equipment, impairment loss on trade and other receivables, reversal of impairment loss on trade and other receivables, write down of inventories, reversal of write down of inventories, income tax expenses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below:

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

	Urban renewal projects planning and consulting	**Sales of steel pipes, steel sheets and other products made of steel**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019:			
Revenue	–	580,456	580,456
Segment profit/(loss)	(1,166)	26,146	24,980
Finance costs	(17)	(1,741)	(1,758)
Depreciation	(74)	(3,430)	(3,504)
Share of loss of an associate	(24)	–	(24)
Income tax expense	–	(2,064)	(2,064)
Other material non-cash items:			
Impairment on trade and other receivables	–	2,114	2,114
Additions to segment non-current assets	29	4,477	4,506
At 31 December 2019			
Segment assets	279,036	441,795	720,831
Segment liabilities	10,833	156,395	167,228

	Urban renewal projects planning and consulting	Sales of steel pipes, steel sheets and other products made of steel	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2018:			
Revenue	–	426,149	426,149
Segment loss	–	(24,380)	(24,380)
Finance costs	–	2,208	2,208
Depreciation and amortisation	–	3,336	3,336
Income tax expense	–	1,133	1,133
Other material non-cash items:			
Impairment on trade and other receivables	–	50,516	50,516
Reversal of write down of inventories	–	(43)	(43)
Additions to segment non-current assets	–	1,093	1,093
At 31 December 2018			
Segment assets	–	300,233	300,233
Segment liabilities	–	59,562	59,562

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

	2019 RMB'000	2018 RMB'000
Profit or loss:		
Total profit/(loss) of reportable segments	24,980	(24,380)
Corporate and unallocated loss	(16,905)	(29,024)
Consolidated profit/(loss) for the year	8,075	(53,404)
Assets		
Total assets of reportable segments	720,831	300,233
Corporate and unallocated assets	61,458	176,736
Consolidated total assets	782,289	476,969
Liabilities		
Total liabilities of reportable segments	167,228	59,562
Corporate and unallocated liabilities	141,276	31,124
Consolidated total liabilities	308,504	90,686

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 2019 and 2018.

11. FINANCE COSTS

	2019	**2018**
	RMB'000	*RMB'000*
Bank interest expenses	1,562	2,059
Other loans interest	–	1,167
Promissory notes interest	1,014	–
Lease interest	33	–
Other finance charges	179	148
	2,788	3,374

12. INCOME TAX EXPENSE

	2019	**2018**
	RMB'000	*RMB'000*
Current tax		
PRC corporation income tax	2,064	1,133

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 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% (2018: 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 profit/(loss) before tax multiplied by applicable tax rates is as follows:

	2019	**2018**
	RMB'000	*RMB'000*
Profit/(Loss) before tax	10,139	(52,271)
Tax at the rates applicable to profit/(loss) in the countries concerned	4,081	(10,510)
Tax effect of non-taxable income	–	(2,650)
Tax effect of non-deductible expenses	3,310	17,771
Tax effect of utilisation of tax losses not recognised in prior year	(2,497)	(2,316)
Tax effect of tax concession	(2,830)	(985)
Tax effect of temporary difference not recognised	–	(407)
Others	–	230
Income tax expense for the year	2,064	1,133

13. PROFIT/(LOSS) FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration		
– audit services	793	737
– other services	515	821
Cost of inventories sold[#]	515,099	374,179
Depreciation	3,397	3,114
Depreciation of right-of-use assets	370	–
Amortisation of prepaid lease payments	–	222
Net exchange loss/(gain)	905	(2,409)
Operating lease charges in respect of land and buildings	–	579
Expenses related to short-term lease	475	–
Net loss/(gain) on disposal of property, plant and equipment	221	(40)
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	38,742	34,515
– Retirement benefits scheme contributions	5,291	5,406
	44,033	39,921

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation	2,644	2,746
Reversal of write down of inventories	–	(43)
Staff costs	19,306	16,698

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2019	Note	Directors' Fees	Salaries and allowances	Retirement benefits scheme contributions	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Xu Lidi		–	653	16	669
Mr. Lee Kwok Leung		–	549	–	549
Mr. Zhou Shi Hao	*a*	–	33	–	33
Mr. Chen Zhirui	*a*	–	33	–	33
Mr. Lin Jinhe	*b*	–	296	–	296
Non-executive Directors					
Mr. Wang Dongqi		156	–	–	156
Independent Non-executive Directors					
Mr. Lau Kwok Hung		132	–	–	132
Mr. Deng Shimin		132	–	–	132
Mr. Cheung, Eddie Ho Kuen	*c*	46	–	–	46
Ms. Chen Yen Yung	*d*	56	–	–	56
Total for the year ended 31 December 2019		522	1,564	16	2,102

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

Notes:

a Appointed on 29 November 2019
b Resigned on 7 May 2019
c Appointed on 28 August 2019
d Appointed on 7 September 2018 and resigned on 3 June 2019
e Resigned on 7 September 2018

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 (2018: three) director, whose emoluments are reflected in the analysis above. The emoluments of the remaining two (2018: two) individuals are set out below:

	2019	**2018**
	RMB'000	*RMB'000*
Basic salaries and allowances	890	885
Retirement benefits scheme contributions	–	15
	890	900

The emoluments fell within the following bands:

	Number of individuals	
	2019	**2018**
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 2019 and 2018.

16. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB3,322,000 (2018: loss of approximately RMB48,937,000) and the weighted average number of 1,788,438,000 ordinary shares (2018: 600,606,000 ordinary shares) in issue during the year.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is equal to basic earnings/(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:

	2019			2018		
	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	3,918	–	3,918	(7,199)	–	(7,199)
Financial assets at fair value through other comprehensive income:						
Net movement in the investment revaluation reserve	–	–	–	(52,977)	13,007	(39,970)
	3,918	–	3,918	(60,176)	13,007	(47,169)

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 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 and 1 January 2019	43,385	4,024	107,409	4,107	2,565	694	162,184
Additions	–	1,530	652	74	2,061	1,989	6,306
Acquisition of subsidiaries	–	–	–	29	–	–	29
Transfer	–	–	1,226	16	–	(1,242)	–
Disposals	–	–	(5,064)	(153)	(1,091)	–	(6,308)
Exchange differences	–	–	–	–	(14)	–	(14)
At 31 December 2019	43,385	5,554	104,223	4,073	3,521	1,441	162,197
Accumulated depreciation							
At 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
Disposal	–	–	(8)	(92)	(459)	–	(559)
Exchange differences	–	1	–	–	56	–	57
At 31 December 2018 and 1 January 2019	35,681	4,024	87,161	3,095	2,199	–	132,160
Charge for the year	687	183	1,860	250	418	–	3,398
Disposals	–	–	(4,746)	(129)	(1,091)	–	(5,966)
Exchange differences	–	–	–	–	(37)	–	(37)
At 31 December 2019	36,368	4,207	84,275	3,216	1,489	–	129,555
Carrying amounts							
At 31 December 2019	7,017	1,347	19,948	857	2,032	1,441	32,642
At 31 December 2018	7,704	–	20,248	1,012	366	694	30,024

19. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019
	RMB'000
At 31 December:	
Right-of-use assets	
– Land and buildings	9,631
	9,631
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	1,750
– Between 1 and 2 years	2,623
	4,373
Year ended 31 December:	
Depreciation charge of right-of-use assets	
– Land and buildings	370
Lease interests	33
Expenses related to short-term lease	475
Total cash outflow for leases	165
Additions to right-of-use assets	4,027

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

20. PREPAID LAND LEASE PAYMENTS

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

21. INTEREST IN AN ASSOCIATE

	2019	**2018**
	RMB'000	*RMB'000*
Unlisted investments		
– Share of net assets	162,148	–
Goodwill	47,339	–
	209,487	–

Details of the Group's associates at 31 December 2019 are as follows:

Name	Place of incorporation/ registration	Issued/paid-up capital	Percentage of the ownership interest held by the Company	Principal activities
Zhuhai Hau Fa Yue Tang Property Development Limited* 珠海華發月堂房產開發有限公司	the People Republic of China ("PRC")	Registered capital of RMB10,000,000	49%	Land redevelopment

The following table shows information of an associate that are material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRSs to prepare the financial statements of the associate.

	2019
	RMB'000
At 31 December	
Non-current assets	438,799
Current assets	1,679
Non-current liabilities	(109,564)
Current liabilities	–
Net assets	330,914
Group's share of net assets	162,148
Year ended 31 December	
Revenue	–
Loss for the year (from date of acquisition)	(49)

* *For identification purpose only*

22. INTEREST IN JOINT VENTURES

	2019	2018
	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 2019 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 ("BVI")	21,200,000 ordinary shares of USD1 each	49.80%	49.80%	Investment holdings
Sinowise Development Limited	BVI	9,000,000 ordinary shares of USD1 each	49.80%	–	Trading of coal
Elternal Galaxy Limited	BVI	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.

	2019	**2018**
	RMB'000	*RMB'000*
At 31 December		
Carrying amounts of interest	–	–
Year ended 31 December		
Loss for the year	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–

The accumulated losses not recognised were approximately RMB808,000 (2018: RMB808,000).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	**2018**
	RMB'000	*RMB'000*
Contingent consideration receivable	7,187	–
Put option	383	–
	7,570	–

24. INVENTORIES

	2019	**2018**
	RMB'000	*RMB'000*
Raw materials	54,291	36,364
Work-in-progress	1,064	787
Finished goods	26,635	32,153
Goods-in-transit	650	–
	82,640	69,304

25. TRADE AND OTHER RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables	180,816	139,814
Less: allowance for doubtful debts	(4,695)	(2,581)
	176,121	137,233
Bills receivables	21,995	9,806
Prepayment and other deposit	90,401	32,205
Other receivables	5,380	16,702
	293,897	195,946

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:

	2019 *RMB'000*	2018 *RMB'000*
0 to 30 days	56,448	49,847
31 to 60 days	56,508	37,755
61 to 90 days	34,602	27,418
91 to 180 days	23,526	21,608
Over 180 days	5,037	605
	176,121	137,233

Reconciliation of allowance for trade receivables:

	2019	**2018**
	RMB'000	*RMB'000*
At 1 January	2,581	2,065
Allowance for the year	2,114	516
At 31 December	4,695	2,581

The Group applies the simplified approach under HKFRS 9 "Financial Instruments" 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 2019					
Weighted average expected loss rate	**1%**	**1%**	**2%**	**25%**	
Receivable amount *(RMB)*	**154,981**	**7,976**	**5,341**	**12,518**	**180,816**
Loss allowance *(RMB)*	**1,550**	**80**	**107**	**2,958**	**4,695**
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

26. LONG TERM RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Long term receivables	50,000	50,000
Less: allowance for doubtful debts	(50,000)	(50,000)
	–	–

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 ended 31 December 2018 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.

27. CASH AND CASH EQUIVALENTS

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately RMB97,302,000 (2018: approximately RMB20,038,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

28. TRADE AND OTHER PAYABLES

	Note	2019 RMB'000	2018 RMB'000
Trade payables	a	43,433	18,426
Other payables		38,684	38,909
Dividend payable		575	565
Contract liabilities	b	18,578	12,118
		101,270	70,018

Note:

a Trade payables

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

	2019 RMB'000	2018 RMB'000
0 to 30 days	18,586	13,019
31 to 60 days	12,038	2,611
61 to 90 days	4,688	678
91 to 180 days	2,715	843
181 to 365 days	2,121	734
Over 365 days	3,285	541
	43,433	18,426

b Contract liabilities

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	As at 1 January 2018 RMB'000
Manufacturing and sales of steel pipes, steel sheets and other products made of steel	18,578	12,118	11,991

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	11,975	3,529

Significant changes in contract liabilities during the year:

	2019	2018
	RMB'000	*RMB'000*
Increase due to operations in the year	18,435	3,656
Transfer of contract liabilities to revenue	11,975	3,529

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.

29. BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Bank borrowings – unsecured	40,000	20,001
Other borrowings – unsecured	38,139	667
	78,139	20,668
The borrowings are repayable as follows:		
On demand or within one year	78,139	20,668
In the second year	–	–
	78,139	20,668
Less: Amount due for settlement within 12 months	(78,139)	(20,668)
Amount due for settlement after 12 months	–	–

The average interest rates at 31 December were as follows:

	2019	2018
Bank borrowings – unsecured	4.35% – 5.22%	4.35% – 5.22%
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.

30. PROMISSORY NOTES

Upon the completion date of the acquisition of Happy (Hong Kong) New City Group Limited on 26 November 2019, the Company issued Promissory Notes ("PN") to a company owned by a substantial shareholder of the Company with a principal amount of HK$158,000,000 as a part of the settlement of the consideration. The PN are interest bearing at 3% p.a. payable semi-annually and the maturity date is in 2 years from the date of issue. The fair value of PN at issuance was assessed as approximately HK$136,090,000 (equivalent to approximately RMB122,260,000) by an independent valuer. The effective interest rate is 10%.

31. 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.

32. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2019	**2018**	**2019**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,750	–	1,480	–
In the second to fifth years, inclusive	2,623	–	2,444	–
	4,373	–		
Less: Future finance charges	(449)	–		
Present value of lease liabilities	3,924	–	3,924	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1,480)	–
Amount due for settlement after 12 months			2,444	–

33. SHARE CAPITAL

	Note	Number of shares '000	Amount RMB'000
Authorised:			
Ordinary shares of HK$0.2 each at 1 January 2018		2,000,000	195,662
Share consolidation		(1,000,000)	–
Increase in authorised share capital		3,000,000	529,181
Ordinary shares of HK$0.2 each at 31 December 2018, 1 January 2019 and 31 December 2019		4,000,000	724,843
Issued and fully paid:			
At 1 January 2018		927,564	88,872
Repurchase and Cancellation of Shares		(236,364)	(19,566)
Share consolidation		(345,600)	–
Remuneration shares		4,000	702
Open offer		1,398,400	248,085
At 31 December 2018 and 1 January 2019		1,748,000	318,093
Consideration shares	*(a)*	410,000	73,667
At 31 December 2019		2,158,000	391,760

Note:

(a) On 11 June 2019, the Company entered into the Sale and Purchase Agreement with Harbour Prestige International Limited, a company incorporated in the BVI with limited liabilities, in relation to the acquisition of the entire equity interest in Happy (Hong Kong) New City Group Limited involving issue of promissory note and consideration shares under specific mandate. The acquisition was completed on 26 November 2019. An aggregate of 410,000,000 Consideration Shares were issued at HK$0.205 per shares as part of the consideration. The premium on issue of shares of approximately HK$2,050,000 (equivalent to approximately RMB1,842,000) was credit to share premium account.

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:

	2019	**2018**
	RMB'000	*RMB'000*
Total debt	200,816	20,668
Less: cash and cash equivalents	(146,422)	(174,667)
Net debt	54,394	(153,999)
Total equity	473,785	386,283
Net debt-to-capital ratio	11%	–40%

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

34. 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 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)
At 1 January 2019	211,467	125,211	(51,112)	(337,663)	(52,097)
Loss for the year	–	–	–	(14,307)	(14,307)
Consideration shares	1,842	–	–	–	1,842
Exchange difference on translation of financial statements to presentation currency	–	–	4,134	–	4,134
At 31 December 2019	213,309	125,211	(46,978)	(351,970)	(60,428)

(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 Investments Pte. Limited 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 3e.

(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(j)(ii) to the financial statements.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	–	–
Right-of-use assets	930	–
Investments in subsidiaries	119,285	117,143
Interest in joint ventures	–	–
	120,215	117,143
Current assets		
Deposit, prepayments and other receivable	10,028	25,654
Due from subsidiaries	158,617	3,088
Cash and cash equivalents	46,661	151,065
	215,306	179,807
Current liabilities		
Other payables	3,197	29,051
Due to subsidiaries	59	410
Lease liabilities	471	–
Borrowings	–	1,493
	3,727	30,954
Net current assets	211,579	148,853
Total assets less current liabilities	331,794	265,996
Non-current liabilities		
Lease liabilities	462	–
	462	–
NET ASSETS	331,332	265,996
Capital and reserves		
Share capital	391,760	318,093
Reserves	(60,428)	(52,097)
TOTAL EQUITY	331,332	265,996

36. CONTINGENT LIABILITIES

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.

37. ACQUISITION OF SUBSIDIARIES

On 26 November 2019, the Group acquired 100% of the issued share capital of Happy (Hong Kong) New City Group Limited and its subsidiaries ("Happy Group") at a total consideration of approximately HK$260,000,000, which is comprised of a cash consideration of HK$20,000,000, promissory note with principal amount of HK$158,000,000 and issuance of 410,000,000 ordinary shares of the Company at HK$0.2 per share. Happy Group was engaged in land redevelopment in the PRC during the period.

The directors are of the opinion that the acquisition of Happy Group is in substance an asset acquisition instead of a business combination, as the net assets of Happy Group was mainly the interest in an associate and the Happy Group was inactive and did not constitute a business prior to the acquisition by the Group.

The fair value of the identifiable assets and liabilities of Happy Group acquired as at its date of acquisition is as follows:

	RMB'000
Net assets acquired:	
Property, plant and equipment	29
Interest in an associate	209,511
Right-of-use assets	2,415
Other receivables	5,511
Current tax assets	10
Bank and cash balances	925
Trade and other payables	(7,869)
Lease liabilities	(2,444)
	208,088
Satisfied by:	
Cash	17,968
Issue of promissory notes	122,260
Issue of consideration shares	75,509
Total consideration transferred	215,737
Financial assets at fair value through profit or loss	(7,649)
Net consideration	208,088
Net cash outflow arising on acquisition	
Cash consideration paid	17,968
Cash and cash equivalents acquired	(925)
	17,043

The fair value of the 410,000,000 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

38. 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:

	Promissory notes *RMB'000*	Lease liabilities *RMB'000*	Borrowings *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	36,922	36,922
Changes in cash flows	–	–	(16,254)	(16,254)
Interest paid	–	–	(3,374)	(3,374)
Non-cash changes				
– interest charged	–	–	3,374	3,374
– exchange difference	–	–	–	–
At 31 December 2018 and 1 January 2019	–	–	20,668	20,668
Changes in cash flows	–	(165)	57,471	57,306
Interest paid	–	–	(1,741)	(1,741)
Non-cash changes				
– addition	–	1,612	–	1,612
– interest charged	1,014	33	1,741	2,788
– acquisition of subsidiaries	122,260	2,444	–	124,704
– exchange difference	(597)	–	–	(597)
At 31 December 2019	122,677	3,924	78,139	204,740

39. 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:

	2019 *RMB'000*	**2018** *RMB'000*
Salaries and other short-term employee benefit	3,361	3,168
Retirement scheme contribution	–	–
	3,361	3,168

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group 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	PRC	Registered capital of RMB200,000,000	–	81.4%	Manufacturing of steel pipes and other products
Elate Ample Limited	BVI	50,000 ordinary shares of USD1 each	100%	–	Investment holdings
Fulland (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	–	81.4%	Investment holdings
Happy (Hong Kong) New City Group Limited	BVI	10,000 ordinary shares of USD1 each	–	100%	Investment holdings
Galaxy Peace Holdings Limited	BVI	10,000 ordinary shares of USD1 each	–	81.4%	Investment holdings
Happy (Hong Kong) New City Group Limited	Hong Kong	7,000,000 ordinary share of HK$1 each	–	100%	Investment holdings
珠海眾樂華豐發展有限公司	PRC	Registered capital of RMB30,000,000	–	100%	Business and economic consulting
珠海眾樂城市更新有限公司	PRC	Registered capital of RMB10,000,000	–	100%	Urban renewal project planning and consulting
珠海明基石地產顧問有限公司	PRC	Registered capital of RMB10,000,000	–	100%	Real estate development services

\# 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	
	2019	**2018**
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	37,372	35,998
Current assets	373,771	263,180
Current liabilities	(143,160)	(57,430)
Non-current liabilities	–	–
Net assets	267,983	241,748
Accumulated NCI	55,781	51,028
Year ended 31 December:		
Revenue	580,080	426,149
Profit/(Loss) for the year	26,233	(24,014)
Total comprehensive income	26,233	(24,014)
Profit/(Loss) allocated to NCI	4,879	(4,467)
Dividends paid to NCI	–	–
Net cash generated from/(used in) operating activities	29,570	(26,798)
Net cash (used in)/generated from investing activities	(4,996)	21,044
Net cash generated from/(used in) financing activities	17,591	(706)
Net increase/(decrease) in cash and cash equivalents	42,165	(6,460)

As at 31 December 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB97,302,000 (2018: RMB20,038,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 6 May 2020.

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 year ended 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Continuing Operations:					
Revenue	420,225	388,678	367,107	426,149	580,456
Profit/(Loss) before taxation	(8,241)	23,225	(12,141)	(52,271)	10,139
Income tax expense	–	(3,467)	(900)	(1,133)	(2,064)
Profit/(Loss) for the year	(8,241)	19,758	(13,041)	(53,404)	8,075
Attributable to:					
Owners of the Company	(8,546)	14,825	(14,606)	(48,937)	3,322
Non-controlling interests	305	4,933	1,565	(4,467)	4,753
	(8,241)	19,758	(13,041)	(53,404)	8,075

	As at 31 December				
	2015	**2016**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets	56,918	53,868	156,205	35,776	259,330
Current assets	256,893	316,289	224,025	441,193	522,959
Current liabilities	(121,834)	(161,173)	(113,863)	(90,686)	(183,383)
Non-current liabilities	–	–	(24,086)	–	(125,121)
	191,977	208,984	242,281	386,283	473,785
Share capital	88,872	88,872	88,872	318,093	391,260
Share premium and reserves	54,108	66,182	97,914	17,162	26,744
Proposed final dividend	–	–	–	–	–
Non-controlling interests	48,997	53,930	55,495	51,028	55,781
	191,977	208,984	242,281	386,283	473,785