美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Recognised revenue for the year increased by 16.1% to approximately RMB426.1 million from 2017.
- Loss for the year of the Group was approximately RMB53.4 million (2017: Loss of approximately RMB13.0 million).
- Gross profit for the year increased by 19.7% to approximately RMB52.0 million and gross profit margin for the year was improved from 11.8% of the year 2017 to 12.2% of the year.
- Basic loss per share for the year ended 31 December 2018 was RMB8.15 cents (2017: basic loss per share RMB3.15 cents, as restated).

The board (the "Board") of directors (the "Directors") of Mayer Holdings Limited (the "Company") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017.

* *For identification only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	2	**426,149**	367,107
Cost of sales		**(374,179)**	(323,689)
Gross profit		**51,970**	43,418
Other income		**19,355**	15,635
Other net losses		**(48,067)**	(2,234)
Distribution costs		**(17,791)**	(17,667)
Administrative expenses		**(54,355)**	(47,744)
Other operating expenses		**–**	(1)
Loss from operations		**(48,888)**	(8,593)
Impairment loss on amounts due from investee companies		**(9)**	(17)
Finance costs		**(3,374)**	(3,531)
Loss before tax		**(52,271)**	(12,141)
Income tax expense	4	**(1,133)**	(900)
Loss for the year	5	**(53,404)**	(13,041)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(48,937)**	(14,606)
Non-controlling interests		**(4,467)**	1,565
		(53,404)	(13,041)
			(Restated)
		RMB cents	*RMB cents*
Loss per share	7		
– Basic		**(8.15)**	(3.15)
– Diluted		**(8.15)**	(3.15)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**30,024**	32,120
Prepaid land lease payments		**5,752**	5,974
Interest in joint ventures		**–**	–
Available-for-sale financial assets		**–**	68,111
Long term receivables	*8*	**–**	50,000
		35,776	156,205
Current assets			
Inventories		**69,304**	51,520
Trade and other receivables	*9*	**195,946**	140,690
Prepaid land lease payments		**222**	222
Current tax assets		**1,054**	276
Cash and cash equivalents		**174,667**	31,317
		441,193	224,025
Current liabilities			
Trade and other payables	*10*	**70,018**	86,941
Borrowings – on demand or within one year		**20,668**	26,922
		90,686	113,863
Net current assets		**350,507**	110,162
Total assets less current liabilities		**386,283**	266,367

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Non-current liabilities			
Borrowings – settlement after 12 months		**–**	10,000
Deferred tax liabilities		**–**	14,086
		–	24,086
NET ASSETS		**386,283**	242,281
Capital and Reserves			
Share capital		**318,093**	88,872
Reserves		**17,162**	97,914
Equity Attributable to Owners of the Company		**335,255**	186,786
Non-controlling interests		**51,028**	55,495
TOTAL EQUITY		**386,283**	242,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

For the year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 9 (2014) "Financial Instruments"

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

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

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

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

HKFRS 16 Leases

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

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

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

2. REVENUE

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

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

Disaggregation of revenue from contracts with customers:

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

All revenue is recognised at a point in time.

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

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

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

3. SEGMENT INFORMATION

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

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

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

Geographical information:

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

Revenue from major customers:

No customers individually contributed more than 10% of the total consolidated revenue of the Group for the years ended 31 December 2018 and 2017.

4. INCOME TAX EXPENSE

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

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

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC Corporate Income Tax at a rate of 25% (2017: 25%) during the year.

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

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

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

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

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

5. LOSS FOR THE YEAR

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

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

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

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

6. DIVIDENDS

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

7. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

8. LONG TERM RECEIVABLES

The amounts were deposited into certain investment companies which are unsecured, interest bearing with an effective interest rate ranged from 9.5% to 11% and repayable in January 2020. Full impairment of RMB50,000,000 was recognised during the year as these investment companies are uncontactable and the Group considered these loan made by the former management were considered as deceitful acts and were reported to the relevant police department in the in People's Republic of China in May 2018.

9. TRADE AND OTHER RECEIVABLES

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

(i) Trade receivables

Trade receivables are due within 60 to 180 days from the date of billing and may be extended to selected customers depending on their trade volumes and settlement with the Group. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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

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

Reconciliation of allowance for trade receivables:

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

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

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

(ii) Other receivables

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

10. TRADE AND OTHER PAYABLES

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

(i) Trade payables

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

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

(ii) Contract liabilities

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

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

Significant changes in contract liabilities during the year:

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors of the Company.

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

BASIS FOR QUALIFIED OPINION

1 Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2017, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 30 April 2018.

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

2 Cost of goods sold

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

3 Available-for-sale financial assets

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

4 **Long term receivables**

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the long term receivables of approximately RMB50 million as at 31 December 2017. There are no other satisfactory audit procedures that we could adopt to determine whether the allowance made on the long term receivables during the year ended 31 December 2018 should be recorded in the consolidated financial statements of 31 December 2017 or 31 December 2018.

5 **Unconsolidation of Yield Rise Group**

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

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"), the Company should consolidate Yield Rise Group if the Company has power to control Yield Rise Group to affect the return from them. We have not been able to obtain sufficient appropriate audit evidence to assess whether the Company has control over Yield Rise Group up to it being bought back by Make Success on 19 October 2018. We are unable to determine whether Yield Rise Group should be consolidated up to 19 October 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

MATERIAL DISPOSALS

Yield Rise and Dan Tien Port

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

Vietnam Mayer

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

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

FINANCIAL REVIEW

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

Revenue

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

Gross Profit

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

Other Income

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

Other Net Losses

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

Operating Expenses

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

Finance Costs

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

Loss for the Year

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

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

Property, Plant and Equipment

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

Long Term Receivables

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

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

Trade and Other Receivables

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

The Group keeps adhering to prudent treasury policies. The Group continued to insure against major receivables in order to lower the risks of credit sales and to ensure that funds would be recovered on a timely basis, hence fulfilling the requirements for debt repayments and working capital commitments.

Trade and Other Payables

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

Borrowings

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

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had total of 304 (including directors) employees. Total staff costs for the year ended 31 December 2018 were approximately RMB39,921,000, including retirement benefits cost of approximately RMB5,406,000 and salaries, bonus and allowances approximately RMB34,515,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

The Group always maintains good relation with its employees and is committed to employee training and development on a regular basis to maintain the quality of our products. In addition, the Company's share option scheme had expired on 24 May 2014 and no option had ever been granted under the scheme since its adoption on 24 May 2004. The Board would consider a new share option scheme to be approved by the Shareholders at an appropriate timing.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

For the year, the Group net cash outflow of approximately RMB97,177,000 from its operating activities, as compared to net cash outflow of approximately RMB32,768,000 for the last year. The increase in net cash outflow from operating activities was primarily due to the increase in inventories and trade receivables and other receivables and decrease in trade and other payables. Net cash inflow of approximately RMB23,485,000 was from investing activities for the year, mainly due to the increase in dividend income and proceed from disposal of financial assets. Net cash inflow of approximately RMB224,245,000 was from financing activities, mainly resulted from the proceeds from open offer in November 2018. Banks deposits and cash balances as at 31 December 2018 amounted to approximately RMB174,667,000, mainly denominated in Renminbi ("RMB") and HK dollars (31 December 2017: RMB31,317,000)

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

Capital Reorganization

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

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

Open Offer

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

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

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

FOREIGN EXCHANGE EXPOSURES

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

CHARGE ON GROUP ASSETS

No assets of the Group were pledged as at 31 December 2018. As at 31 December 2017, approximately RMB30,697,000 assets were pledged to third parties for securing the borrowings granted to the Group.

CONTINGENT LIABILITIES

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

(i) Winding Up Petition

On 4 August 2014, Mr. Lai Yueh-Hsing, a former director of the Company, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands ("Grant Court") regarding loan of HK$11,030,000 due to him. On 7 November 2014, a judgment was handed down by Grant Court to dismiss the petition. Subsequently an appeal against the decision of the Grant Court was filed by Mr. Lai Yueh-Hsing. On 19 October 2017, the Company filed an application to strike out the appeal to the Cayman Islands Court of Appeal. The hearing of the Cayman Islands Court of Appeal was held on 15 November 2017 and it was ordered that both the appeal filed by Mr. Lai Yueh-Hsing and the Company be dismissed. Therefore, the whole matter has ended and will not have a any further on the Group's financial position.

(ii) Winding Up Petition Against a Subsidiary

Guangzhou Mayer, a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court had heard the the winding up petition on 27 December 2018 and the judgement of the hearing has yet to be released. According to legal advice, the winding up petition against Guangzhou Mayer do not meet the conditions required by the relevant laws. The directors believe that the application of the winding up petition will be strike out by Intermediate Court.

(iii) Writs of Summons Against the Company

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

LEGAL CASES UPDATE

Claim Disputes in Shenzhen

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

Petition filed by a Shareholder

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

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

CAPITAL COMMITMENTS

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

DISCUSSION ON QUALIFIED OPINION

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

1. **Opening Balances and Corresponding Figures**

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

2. **Cost of Goods Sold**

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

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

3. **Available-For-Sale Financial Assets**

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

4. Long Term Receivables

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

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

5. Unconsolidation of Yield Rise Group

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

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

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

PRINCIPAL RISKS AND UNCERTAINITIES

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

Global Economic and Macro-Economic Conditions

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

Investment Risk

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

Customers' Credit Risk

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

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

Liquidity Risk

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

Financial Risk

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

Compliance Risk

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

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

OUTLOOK

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

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

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

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

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

PROSPECTS

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

CORPORATE GOVERNANCE REPORT

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

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

The then code provision	Reason for the non-compliance and improvement actions taken or to be taken
A.1.8	The Company has not arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company in the year of 2018. The Company is sourcing an appropriate insurance coverage and targeted to get it in place as soon as possible.
A.4.2	As no annual general meeting was held during the year of 2018, no Directors have been subject to retirement and re-election by the Shareholders. An annual general meeting will be held in due course for the retirement and re-election of Directors.
C.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The management of the Company did not provide a regular monthly update to the members of the Board, but the management keeps providing information and update to the members of the Board irregularly.
E.1.2 and E.1.3	No annual general meeting was held during the year of 2018. An annual general meeting of the Company will be arranged in due course.

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

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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

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

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

PUBLICATION OF THE 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2018 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.mayer.com.hk in due course.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee comprises independent non-executive Directors; namely, Mr. Lau Kwok Hung (who is also the chairman of the Audit Committee), Mr. Deng Shimin and Ms. Chen Yen Yung. The annual results of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary results announcement.

For and on behalf of the Board
Mayer Holdings Limited
Lee Kwok Leung
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Lee Kwok Leung, Mr. Xu Lidi and Mr. Lin Jinhe; one non-executive Director, namely, Mr. Wang Dongqi; and three independent non-executive Directors, namely, Mr. Lau Kwok Hung, Mr. Deng Shimin, and Ms. Chen Yen Yung.