美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1116)

ANNOUNCEMENT OF RESULTS FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2022 AND PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

The board of directors of Mayer Holdings Limited (the "**Company**", the "**Directors**" and the "**Board**", respectively) presents the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the eighteen months ended 30 June 2022 (the "**Reporting Period**"), which have been reviewed by the audit committee of the Board (the "**Audit Committee**"), together with the comparative figures for the year ended 31 December 2020 (the "**Year 2020**") as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the eighteen months ended 30 June 2022

	Notes	1 January 2021 to 30 June 2022 RMB'000	Year ended 31 December 2020 RMB'000
Revenue	3	**902,652**	581,112
Cost of sales		**(783,941)**	(460,795)
Gross profit		**118,711**	120,317
Other income	5	**24,637**	11,258
Other net gain/(loss)		**2,525**	(9,026)
Distribution costs		**(60,931)**	(33,723)
Administrative expenses		**(70,163)**	(41,125)
Other operating expenses		**(6)**	(38)
Profit from operations		**14,773**	47,663
Share of loss of a joint venture		**–**	(449)
Share of loss of an associate		**(225)**	(152)
Finance costs	6	**(17,915)**	(14,442)
(Loss)/profit before tax		**(3,367)**	32,620
Income tax expense	7	**(5,452)**	(11,940)
(Loss)/profit for the period/year	8	**(8,819)**	20,680
(Loss)/profit for the period/year attributable to:			
Owners of the Company		**(14,304)**	15,854
Non-controlling interests		**5,485**	4,826
		(8,819)	20,680
(Loss)/earnings per share	10		
Basic and diluted *(RMB cents)*		**(0.66)**	0.73

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2022

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
(Loss)/profit for the period/year	**(8,819)**	20,680
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations operations	**(4,485)**	19,941
Items that will not be reclassified to profit or loss:		
Exchange differences on translating foreign operations operations	**3,579**	(18,769)
Other comprehensive (expense)/income for the period/year, net of tax	**(906)**	1,172
Total comprehensive (expense)/income for the period/year	**(9,725)**	21,852
Total comprehensive (expense)/income for the period/year attributable to:		
Owners of the Company	**(15,210)**	17,026
Non-controlling interests	**5,485**	4,826
	(9,725)	21,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		**53,028**	47,482
Right-of-use assets		**5,377**	7,820
Interest in joint ventures		**–**	–
Interest in an associate		**209,110**	209,335
		267,515	264,637
Current assets			
Inventories		**93,543**	87,635
Trade and other receivables	*11*	**367,614**	384,721
Financial assets at fair value through profit or loss		**–**	19
Cash and cash equivalents		**33,201**	37,575
		494,358	509,950
Current liabilities			
Trade and other payables	*12*	**115,447**	98,749
Current tax payables		**12,791**	11,315
Lease liabilities		**203**	1,536
Borrowings		**7,637**	40,000
Promissory notes		**142,281**	127,003
		278,359	278,603
Net current assets		**215,999**	231,347
Total assets less current liabilities		**483,514**	495,984

	30 June 2022 *RMB'000*	31 December 2020 *RMB'000*
Non-current liabilities		
Lease liabilities	**–**	885
	–	885
NET ASSETS	**483,514**	495,099
Capital and reserves		
Share capital	**391,760**	391,760
Reserves	**28,060**	43,270
Equity attributable to owners of the Company	**419,820**	435,030
Non-controlling interests	**63,694**	60,069
TOTAL EQUITY	**483,514**	495,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the eighteen months ended 30 June 2022

1. GENERAL INFORMATION

Mayer Holdings Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands and its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is located at 21st Floor, No. 88 Lockhart Road, Wan Chai, Hong Kong.

Pursuant to a resolution of the board of directors of the Company dated 22 December 2021, the Group changed its financial year end date from 31 December to 30 June. This will enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports given the change will:

i. avoid competition of resources with other listed companies with regard to results announcement and report-related external services under the peak reporting season in the market; and

ii. remove the uncertainty from the variation in the dates of the Chinese New Year holiday, which put pressure on the workflow.

The current financial statements cover a eighteen-months period ended 30 June 2022 and the comparative financial statements cover a twelve-months year ended 31 December 2020. The comparative amounts are, therefore, not entirely comparable.

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

(a) New and amended standards adopted by the Group

In the current year, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKAS**"), and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time for the consolidated financial statements.

HKFRS 4, 7, 9 and 16 and HKAS 39	Amendments in relation to Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions

The Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

(b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2021 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKAS 1 (Amendments)	Amendments in relation to disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Amendments in relation to definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Amendments in relation to deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKAS 16 (Amendments)	Property, plant and equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	1 January 2022
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting	1 January 2022
HKAS 16 (Amendments)	Covid-19 Related Rent Concessions	1 April 2021
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
HK – Int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application are not expected to have material impact on the financial performance and financial position of the Group.

3. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied and services provided to customers less goods returned and trade discounts. An analysis of the Group's revenue for the period/year are as follows:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
Sales of steel pipes, steel sheets and other steel products	**901,176**	536,646
Urban renewal projects planning and consulting	**1,476**	44,466
	902,652	581,112

Disaggregation of revenue from contracts with customers:

	1 January 2021 to 30 June 2022		Year ended 31 December 2020	
	Steel – PRC	**Service – PRC**	Steel – PRC	Service – PRC
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Sales of steel pipes, steel sheets and other steel products:				
Indirect export sales	**65,744**	**–**	52,942	–
Domestic sales	**793,028**	**–**	454,416	–
Direct export sales	**42,404**	**–**	29,288	–
Urban renewal projects planning and consulting:				
Consulting services	**–**	**1,476**	–	44,466
Total	**901,176**	**1,476**	536,646	44,466
Timing of recognition of revenue from contracts with customers:				
At a point in time	**901,176**	**–**	536,646	–
Over time	**–**	**1,476**	–	44,466
	901,176	**1,476**	536,646	44,466

Sales of steel pipes, steel sheets and other steel products

The Group manufactures and sells steel pipes, steel sheets and other steel products 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.

Consultancy services

Consulting income from urban renewal projects planning and consulting is recognised in the accounting period in which the services are rendered. The customers pay the consulting service fee to the Group according to the payment schedules as stipulated in the contract.

4. 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 (the "**CODM**"), 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 derives its revenue from the manufacture and trading of steel pipes, steel sheets and other steel products. These products are manufactured in the Group's manufacturing facilities located in the People's Republic of China (the "**PRC**").

– Service – PRC: this segment primarily derives 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 CODM 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 by 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. 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 CODM for the purposes of resource allocation and assessment of segment performance for the eighteen months ended 30 June 2022 and the year ended 31 December 2020 is set out below:

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

	Urban renewal projects planning and consulting *RMB'000*	Sales of steel pipes, steel sheets and other steel products *RMB'000*	Total *RMB'000*
1 January 2021 to 30 June 2022			
Revenue	**1,476**	**901,176**	**902,652**
Segment (loss)/profit	**(7,725)**	**36,464**	**28,739**
Finance costs	**(119)**	**(4,123)**	**(4,242)**
Interest income	**–**	**721**	**721**
Depreciation	**(31)**	**(6,781)**	**(6,812)**
Amortisation	**(1,298)**	**(333)**	**(1,631)**
Loss on disposal of property, plant and equipment	**–**	**(638)**	**(638)**
Change in fair value of financial assets at fair value through profit or loss	**(19)**	**–**	**(19)**
Share of loss of an associate	**(225)**	**–**	**(225)**
Income tax expense	**–**	**(5,452)**	**(5,452)**
Other material non-cash items:			
Reserve of impairment on trade and other receivables	**–**	**(2,675)**	**(2,675)**
Additions to segment non-current assets	**2**	**13,817**	**13,819**
At 30 June 2022			
Segment assets	**349,861**	**378,267**	**728,128**
Segment liabilities	**18,586**	**85,204**	**103,790**

	Urban renewal projects planning and consulting *RMB'000*	Sales of steel pipes, steel sheets and other steel products *RMB'000*	Total *RMB'000*
Year ended 31 December 2020:			
Revenue	44,466	536,646	581,112
Segment profit	34,703	39,078	73,781
Finance costs	(175)	(2,053)	(2,228)
Interest income	1	765	766
Depreciation	(15)	(3,162)	(3,177)
Amortisation	(865)	(222)	(1,087)
Loss on disposal of property, plant and equipment	–	(318)	(318)
Share of losses of associates	(152)	–	(152)
Income tax expense	(9,526)	(2,255)	(11,781)
Other material non-cash items:			
Impairment on trade and other receivables	–	374	374
Additions to segment non-current assets	44	17,597	17,641
At 31 December 2020			
Segment assets	348,829	406,974	755,803
Segment liabilities	19,633	113,442	133,075

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

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
Profit or loss:		
Total profit of reportable segments	**28,739**	73,781
Corporate and unallocated loss	**(37,558)**	(53,101)
Consolidated (loss)/profit for the period/year	**(8,819)**	20,680

	30 June 2022	31 December 2020
	RMB'000	*RMB'000*
Assets		
Total assets of reportable segments	**728,128**	755,803
Corporate and unallocated assets	**33,745**	18,784
Consolidated total assets	**761,873**	774,587
Liabilities		
Total liabilities of reportable segments	**103,790**	133,075
Corporate and unallocated liabilities	**174,569**	146,413
Consolidated total liabilities	**278,359**	279,488

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:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
Sales of steel pipes, steel sheet and other steel products segment:		
Customer A	**–***	64,469

No customer individually contributed 10% or more to the Group's revenue for the period from 1 January 2021 to 30 June 2022.

* *The revenue from this customer was below 10% to the Group's revenue for the period from 1 January 2021 to 30 June 2022.*

5. OTHER INCOME

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
Bank interest income	**722**	769
Government subsidy#	**4,712**	1,867
Scrap sales	**18,344**	8,037
Gain on lease modification	**73**	–
Sundry income	**786**	585
	24,637	11,258

\# *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.*

6. FINANCE COSTS

	1 January 2021 to 30 June 2022 *RMB'000*	Year ended 31 December 2020 *RMB'000*
Bank interest expenses	**3,877**	1,920
Promissory notes interest	**13,269**	12,112
Interest expense on lease liabilities	**135**	273
Other finance charges	**634**	137
	17,915	14,442

7. INCOME TAX EXPENSE

	1 January 2021 to 30 June 2022 *RMB'000*	Year ended 31 December 2020 *RMB'000*
Current tax		
PRC corporation income tax	**4,981**	13,192
Over provision in prior years	**–**	(1,488)
Withholding tax	**471**	236
	5,452	11,940

Hong Kong Profits Tax has not been provided for the eighteen months ended 30 June 2022 and the year ended 31 December 2020 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% (Year ended 31 December 2020: 25%) during the period.

During the period, Guangzhou Mayer Corporation Limited, a core subsidiary of the Company was 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 period.

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 before tax multiplied by applicable tax rates is as follows:

	1 January 2021 to 30 June 2022	Year ended 31 December 2020
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(3,367)**	32,620
Tax at the rates applicable to (loss)/profit in the countries concerned	**(338)**	10,198
Tax effect of non-taxable income	**(7)**	–
Tax effect of non-deductible expenses	**8,654**	4,794
Tax effect of tax concession	**(3,328)**	(1,800)
Over provision in prior years	**–**	(1,488)
Withholding tax	**471**	236
Income tax expense for the period/year	**5,452**	11,940

8. (LOSS)/PROFIT FOR THE PERIOD/YEAR

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

	1 January 2021 to 30 June 2022 *RMB'000*	Year ended 31 December 2020 *RMB'000*
Auditor's remuneration		
– audit services	**897**	845
– other services	**523**	252
Cost of inventories sold[#]	**783,941**	460,795
Depreciation	**7,315**	3,682
Depreciation of right-of-use assets	**2,050**	1,783
Net exchange (gain)/loss	**(505)**	778
Expenses related to short-term lease	**285**	523
Net loss on disposal of property, plant and equipment	**638**	318
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**71,013**	42,230
– Retirement benefits scheme contributions	**9,026**	2,035
	80,039	44,265

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

	1 January 2021 to 30 June 2022 *RMB'000*	Year ended 31 December 2020 *RMB'000*
Depreciation	**6,485**	2,740
Staff costs	**30,435**	17,026

9. DIVIDENDS

The directors of the Company do not recommend or declare the payment of any dividend in respect of the eighteen months ended 30 June 2022 (year ended 31 December 2020: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share (earnings per share for the year ended 31 December 2020) is based on the loss attributable to owners of the Company of approximately RMB14,304,000 for the period (year ended 31 December 2020: profit of approximately RMB15,854,000) and the weighted average number of 2,158,000,000 ordinary shares (year ended 31 December 2020: 2,158,000,000 ordinary shares) in issue during the period.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is equal to basic (loss)/earnings per share as there are no potential ordinary shares outstanding for the period from 1 January 2021 to 30 June 2022 and the year ended 31 December 2020.

11. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2020
	RMB'000	*RMB'000*
Trade receivables	**195,599**	220,256
Less: allowance for doubtful debts	**(2,397)**	(5,072)
	193,202	215,184
Bills receivables	**4,414**	16,564
Prepayment and other deposit	**150,602**	145,488
Other receivables	**18,148**	6,434
Amount due from joint venture	**1,248**	1,051
	367,614	384,721

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:

	30 June 2022 *RMB'000*	31 December 2020 *RMB'000*
0 to 30 days	**41,900**	104,402
31 to 60 days	**33,739**	46,642
61 to 90 days	**20,630**	32,743
91 to 180 days	**21,366**	23,616
Over 180 days	**75,567**	7,781
	193,202	215,184

Reconciliation of allowance for trade receivables:

	30 June 2022 *RMB'000*	31 December 2020 *RMB'000*
At 1 January	**5,072**	4,695
(Reversal)/allowance for the period/year	**(2,675)**	377
At 30 June/31 December	**2,397**	5,072

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 30 June 2022					
Weighted average expected loss rate	**–**	**1%**	**1%**	**2%**	
Receivable amount *(RMB)*	**41,900**	**34,080**	**20,838**	**98,781**	**195,599**
Loss allowance *(RMB)*	**–**	**341**	**208**	**1,848**	**2,397**
At 31 December 2020					
Weighted average expected loss rate	1%	1%	2%	23%	
Receivable amount *(RMB)*	195,071	7,204	3,743	14,238	220,256
Loss allowance *(RMB)*	1,651	72	75	3,274	5,072

12. TRADE AND OTHER PAYABLES

	Note	**30 June 2022** *RMB'000*	31 December 2020 *RMB'000*
Trade payables	*a*	**38,370**	38,189
Other payables		**50,582**	39,045
Receipt in advance related to urban renewal projects		**10,188**	–
Consideration for Shenzhen Hei Jing Photoelectric Technology Co., Limited	*	**5,301**	–
Dividend payable		**2,632**	829
Contract liabilities	*b*	**8,374**	20,686
		115,447	98,749

a Trade payables

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

	30 June 2022 *RMB'000*	31 December 2020 *RMB'000*
0 to 30 days	**23,295**	18,927
31 to 60 days	**5,908**	3,134
61 to 90 days	**566**	264
91 to 180 days	**1,008**	6,299
181 to 365 days	**3,256**	2,369
Over 365 days	**4,337**	7,196
	38,370	38,189

b Contract liabilities

	As at 30 June 2022	As at 31 December 2020	As at 1 January 2020
	RMB'000	*RMB'000*	*RMB'000*
Manufacturing and sales of steel pipes, steel sheets and other products made of steel	**8,374**	20,686	18,578

	2022	2020
	RMB'000	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of the period/year	**18,625**	18,388

Significant changes in contract liabilities during the period/year:

	2022	2020
	RMB'000	*RMB'000*
Increase due to operations in the period/year	**6,313**	20,496
Transfer of contract liabilities to revenue	**18,625**	18,388

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 THE INDEPENDENT AUDITOR'S REPORT

ZHONGHUI ANDA CPA Limited has expressed qualified opinion on the audited consolidated financial statements of the Group for the eighteen months ended 30 June 2022, an extract of which is as follows:

QUALIFIED OPINION

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 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2021 to 30 June 2022 (the "**Period**") 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. Interest in an associate

Included in the consolidated financial statements is interest in an associate, Zhuhai Hua Fa Yue Tang Property Development Limited (the "**Associate**") with carrying amount of approximately RMB209 million as at 30 June 2022 and share of loss of RMB225,000 for the Period. The Associate is engaged in the urban land redevelopment in Zhuhai, the People's Republic of China (the "**PRC**"). Due to the pandemic event of the novel coronavirus decease 2019 (the "**COVID-19**") that slowed down the business development of the Associate, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the estimated schedule of the redevelopment which is the major assumption adopted in the calculation of the value-in-use of the Associate. As such, the value-in-use of the Associate cannot be reliably measured. As a result, we are unable to ascertain the recoverable amount of the Associate as at 30 June 2022, and whether any impairment should be made for the Associate and the share of loss during the Period.

2. Financial assets at fair value through profit or loss

Included in the consolidated financial statements are the financial assets at fair value through profit or loss in connection with the guarantee given by the vendor and the guarantor regarding the target profit achieved by Happy (Hong Kong) New City Group Limited and its subsidiaries (the "**Happy Group**") during the three years ended 31 December 2021 and the put option to transfer the entire interest of Happy Group to vendor of RMB Nil and RMB Nil, respectively and the change in fair value of financial assets at fair value through profit or loss of RMB19,000. On 11 March 2022, the Group, the vendor and the guarantor entered into a supplementary agreement to extend the expiry date of the profit guarantee by 18 months and corresponding amendments to the option period. The supplementary agreement constitutes connected transaction of the Company under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and is subject to the approval by independent shareholders at the extraordinary general meeting of the Company (the "**EGM**"). The fair value of the financial assets at fair value through profit or loss are based on the assumption that the supplementary agreement will be approved in the EGM.

Due to (i) the uncertainty in the approval of the supplementary agreement at the EGM, of which the date of the meeting is still not yet fixed at the date of this report, and (ii) insufficient appropriate audit evidence to satisfy ourselves the reasonableness of the assumptions in estimation of the future profit of the Happy Group as the pandemic event of COVID-19 that slowed down the business development of the Happy Group, we are unable to ascertain that the fair value of the financial assets at fair value through profit or loss are reliably measured.

3. Prepayments and trade receivables

During the years ended 31 December 2019 and 2020, the Group made several prepayments with total amounts of approximately RMB92 million to certain service providers for assisting the Group and trade receivables of RMB40 million for providing agency service in certain urban land redevelopment projects in Zhuhai. Due to the pandemic event of COVID-19 that slowed down the progress of the land redevelopment projects, we are unable to obtain sufficient appropriate audit evidence to ascertain whether any future economic benefit can be obtained from the redevelopment projects so that the prepayments and trade receivables can be recovered. As such, we are unable to evaluate the recoverability of the prepayments and trade receivables as at 30 June 2022 and whether any impairment should be made for the prepayments and trade receivables during the Period.

4. Consolidation of Shenzhen Hei Jing Photoelectric Technology Co., Limited ("Hei Jing")

On 9 February 2022, a former director of the Company, who is also a former director of certain subsidiaries of the Company in the PRC using a suspected forgery seal, entered into an agreement with other parties to disposal of a 51% equity interest in Hei Jing at a total cash consideration of RMB5.3 million (the "**Disposal**"). The consideration was received on 1 February 2022 and 31 March 2022 and the registration of the ownership of the equity interest was changed to the purchaser on 14 February 2022. After the removal of the former director, the board of directors of the Company (the "**Directors**") carried out a review of the transaction. The Directors considered that the consideration of the Disposal was too low and unfair and the Group would suffer significant loss upon the Disposal. The Directors is of the view that the Disposal is unenforceable. Therefore, the Group instigated a legal action to rescind the agreement and resume the ownership of the 51% equity interest in Hei Jing. Accordingly, Hei Jing is still accounted for as a non-wholly owned subsidiary of the Company and the financial results for the period from 14 February 2022 (the date of the Disposal) to 30 June 2022 and the financial position as at 30 June 2022 of Hei Jing were consolidated in the Group's consolidated financial statements and the consideration received of RMB5.3 million was included in other payable.

Due to the fact that the outcome of the legal action is uncertain, we were unable to ascertain whether the results for the period from 14 February 2022 to 30 June 2022 and the financial position as at 30 June 2022 of Hei Jing should be consolidated in the Group's consolidated financial statements under HKFRS 10 "Consolidated Financial Statements" and whether the consideration received of RMB5.3 million is correctly accounted for as other payable.

In addition, due to the insufficient supporting documentation and explanations for the accounting books and records in respect of Hei Jing for the Period, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenditure for the Period and assets and liabilities as at 30 June 2022 as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

Income and expenditure for the Period

	RMB'000
Revenue	–
Other income	73
Administrative expenses	(47)
	26

The net assets as at 30 June 2022:

	RMB'000
Property, plant and equipment	3,745
Inventories	1,137
Other receivables	7,647
Prepayment and deposits	4,569
Cash and bank balances	12
Accrual expenses	(9)
	17,101

Any adjustments to the figures as described from points 1 to 4 above might have significant consequential effects on the Group's results and cash flows for the Period and the financial position of the Group as at 30 June 2022, and the related disclosures thereof 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.

VIEWS OF THE BOARD AND THE AUDIT COMMITTEE ON THE QUALIFIED OPINION

The Board and the Audit Committee noted that the consolidated financial statements of the Company for the Reported Period were subject to the qualified opinion (the "**Qualified Opinion**") of ZHONGHUI ANDA CPA Limited, the independent auditor of the Company (the "**Independent Auditor**"), on the basis as set out in the section headed "Basis for Qualified Opinion" in the independent auditor's report (the "**Independent Auditor's Report**") under the section "Extract of the Independent Auditor's Report".

The Board and the Audit Committee did not express different views from that of the Independent Auditor on the basis of the qualifications as the unresolved qualifications for the Reported Period, which might have consequential effect on the Group's financial performance for the Reported Period and the related disclosure thereof in the consolidated financial statements.

Further, the views of the Group towards the issues are as follows:

1. Interest in an associate

Details of, amongst others, the recent progress of the urban land redevelopment projects in Zhuhai are set out in the Company's announcement dated 14 March 2022 and this announcement below.

2. Financial assets at fair value through profit or loss

Details of, amongst others, the development of the supplemental agreement, the preparation of a circular to be despatched to the shareholders of the Company and the convening of the EGM are set out in the Company's announcements dated 14 March, 1 and 29 April, 1 June as well as 14 and 29 July, 2022, respectively and this announcement below.

3. Prepayments and trade receivables

The Group will continue to discuss the prepayments and trade receivables with the service providers pursuant to, amongst others, the progress of the urban land redevelopment projects in Zhuhai and their mutual business relationship.

4. Consolidation of Hei Jing

The Group is taking a legal action to rescind the agreement and resume the ownership of the 51% equity interest in Hei Jing and may consider taking appropriate further actions with professional advice in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved to change the financial year end date of the Company from 31 December to 30 June. Immediately following such change, the financial year end date of the Company was 30 June 2022 and the audited consolidated financial statements of the Company required for publication cover a period of 18 months from 1 January 2021 to 30 June 2022. Please refer to the Company' announcement dated 22 December 2021 for details.

REVIEW OF RESULTS

For the Reporting Period, the Group reported consolidated revenue of approximately RMB902,652,000, representing an increase of 55.3% compared to RMB581,112,000 for Year 2020. Gross profit margin was 13.2% compared to Year 2020's 20.7%. The Group recorded loss for the Reporting Period of approximately RMB8,819,000, compared to profit of RMB20,680,000 for Year 2020. Loss attributable to owners of the Company for the Reporting Period was approximately RMB14,304,000, compared with Year 2020's profit attributable to owners of RMB15,854,000. Loss per share for the Reporting Period was RMB0.66 cent versus Year 2020's earnings per share RMB0.73 cent.

Although the revenue of the Group recorded an increase in the Reporting Period as compared to that of Year 2020, the change from profit to loss was mainly attributable to the following factors:

1. revenue in sale of steel products increased primarily owing to an increase in domestic sales of steel pipes, steel sheets and other steel products with a lower profit margin;

2. revenue in urban renewal project planning and consulting with a much higher profit margin decreased terribly, resulting in gross loss of this segment; and

3. operating expenses increased substantially, resulting in a lower profit margin.

Further, Guangzhou Mayer Corporation Limited ("**Guangzhou Mayer**"), the core 81.4%-owned subsidiary of the Company operated in Guangzhou, China and engaged in the steel business, recorded profit before tax for the Reporting Period of approximately RMB36,464,000, representing a decrease of 6.7% compared to Year 2020's approximately RMB39,078,000.

BUSINESS REVIEW

Steel Pipes, Steel Sheets and Other Steel Products

As the novel coronavirus disease 2019 (the "**COVID-19**") pandemic continued to wreak havoc around the world in the first half of 2021, the government of China adjusted its economic policies to adopt the "Dual Circulation" economic development strategy and give the Chinese economy growth momentum notwithstanding a general decline in the world economy. Under the circumstances, Guangzhou Mayer seized the development opportunities in a timely manner under the leadership of its operations management team by duly understanding the national development strategy, surmounting all difficulties, re-positioning its segments and taking advantage of the current trends. Tremendous effort has been put into, among other things, production, operation, market expansion and technological innovation. As a result, Guangzhou Mayer had not only achieved all its major economic goals during that period, but also obtained a number of accolades such as the certificates for Recommended Products of Green and Energy-Saving, China Construction Projects Recommended, High and New Tech Enterprises Recognition and Enterprise Credit Evaluation Credit Grade AAA Enterprise.

As to market expansion, Guangzhou Mayer grasped the opportunities brought by the adjustment in the national development strategy and carefully analysed and identified suitable markets during the first three quarters of 2021. It motivated its sales personnel, improved their consciousness on services, adopted online marketing and developed domestic valued clients. However, since the fourth quarter of 2021, due to trade frictions and disputes between China and the United States, tariffs had been imposed on the steel products exported overseas. This reduced the Group's overseas customers' demand for carbon steel products, resulting in a decrease in orders for such products of Guangzhou Mayer. In response thereto, the Group gradually increased the domestic sales of carbon steel products to offset the reduction of sales caused by the decrease in export orders.

In terms of product sales, sales revenue for the Reporting Period was approximately RMB901,176,000, representing an increase of 67.9% as compared with RMB536,646,000 Year 2020. In particular, sales revenue from carbon steel products and stainless steel products were approximately RMB691,582,000 and RMB209,594,000, respectively, representing increases of 67.8% and 68.3%, respectively, as compared with those of Year 2020.

In respect of production and operation management, Guangzhou Mayer made efforts to enhance, among other things, the technological level of its production equipment, production efficiency, product quality and cost control. As regards further operation management, an online marketing model for all sales personnel was implemented for them to surmount the inconvenience brought by the fight against the pandemic by carrying out their work to develop new clients and retain existing ones through the Internet. The management model of knowledge and skills framework ("**KSF**") comprehensive performance-based appraisal and a points-based system were fully implemented in order to motivate staff and improve their work efficiency. A mentorship scheme and a skills competition were held to enhance staff's production skills, reduce production costs and thus effectively boost the Group's profit.

As to technological innovation, the applications for 9 patents had been submitted and were accepted. Meanwhile, additional efforts were put into upgrading and replacing production equipment in order to enhance production efficiency and capacity. A number of new intelligent automatic equipment were developed by collaborating with the Guangdong University of Technology in China and intelligent manufacturing enterprises in order to maintain the Company's leading position in the industry in terms of production technology. The Group also proactively participated in several construction and water supply associations in China in order to stay abreast with the latest market development, actively participate in the formulation and improvement of domestic industrial standards and regulations, and highlight its leading position in the industry.

Despite its efforts, Guangzhou Mayer recorded a lower profit from steel products for the the Reporting Period as compared with Year 2020.

Urban Renewal Projects Planning and Consulting

As at 30 June 2022, the Group had several urban renewal planning and consulting service projects in progress. Located in Zhuhai, China, these projects had an estimated site area of approximately 480 mu in total (subject to the final approval by the government) within their redevelopment zones. The land survey of a project known as the old village redevelopment project of Yuetang Village*（月堂村）located in Sanzao Town, Jinwan District, Zhuhai (the "**Yuetang Village Redevelopment Project**") was completed. The proposal of the redevelopment units was being produced, pending review and approval by the relevant government authorities.

The Group will conduct its urban renewal projects planning and consulting services for the redevelopment of old towns, factories and villages (the "**Three Olds**") in a market-oriented manner. Respective preliminary service agreements have been signed. However, the progress of these projects has been inevitably affected by the intermittent COVID-19 outbreaks since the beginning of 2020.

During the Reporting Period, the Group's urban renewal projects planning and consulting services recorded a revenue of RMB1,476,000 (Year 2020: RMB44,466,000). Its operation in Zhuhai witnessed sluggish progress and unsatisfactory results though the Group has been following up the "Three Olds" redevelopment embarked in 2020. Presently, the Directors and members of the senior management in charge of the Group's project companies still believe that participating in the "Three Olds" redevelopment projects by way of consulting service could be one of the Group's business strategies. With extensive knowledge of the real estate markets in the Greater Bay Area and Zhuhai, the project companies of the Group have conducted in-depth researches in their subject land lots. With such knowledge and research, the Group will select and develop more land lots with strategic value in these regions while actively identifying more projects with a demand for consulting services as well as expanding the Group's business in these markets. The Group also continues coordinating and facilitating project co-ordination, reporting and development while closely following up the promulgation of rules and measures in relation to the "Three Olds" redevelopment policy so as to expedite the application, approval and other preliminary internal and external procedures of its projects.

Yuetang Village Redevelopment Project

Reference is made to the conditional sale and purchase agreement dated 11 June 2019 (as amended by certain supplemental agreements) entered into among (i) Elate Ample Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"); (ii) Harbour Prestige International Limited, a company wholly owned by the Guarantor (as defined below) and presently a substantial shareholder of the Company (the "**Vendor**"); (iii) Mr. Zhou Shi Hao, the beneficial owner of the Vendor and presently an executive Director (the "**Guarantor**"); and (iv) the Company in relation to the sale and purchase of the entire issued share capital of Happy (Hong Kong) New City Group Limited, presently an indirect wholly-owned subsidiary of the Company (the "**Target Company**" and the "**Share Capital**", respectively) and the transactions contemplated thereunder at a consideration of HK$260 million (the "**Sale and Purchase Agreement**").

The Target Company owns Zhuhai Hua Fa Yue Tang Property Development Limited (珠海華發月堂房產開發有限公司) (the "**Hua Fa Yue Tang**"), a company established in the PRC and managing the project of Yuetang Village (月堂村) located in Sanzhao Town, Jinwan District, Zhuhai.

Slow-down of Business

The unprecedented pandemic event of COVID-19, indeed, slowed down the business development of the Target Company in the following ways:

(i) delay in completion of property development projects due to (a) delay in the supply of construction materials; (b) labour shortage as a result of the mandatory quarantine policy; and (c) delay in decisions made in relation to the Yuetang Village Re-development Project as physical inspections and meetings could not be arranged; and

(ii) the increased difficulties and/or hesitation for potential buyers to perform site-visits during COVID-19 and the negative impact brought to the general economy of Zhuhai City in the PRC, which affected the property purchasing momentum.

Guaranteed Target Profit Level

Based on the unaudited consolidated financial statements of the Target Company for the three financial years ended 31 December 2021, the accumulated audited consolidated profit after tax of the Target Company after the completion of the purchase of the Share Capital by the Purchaser (the "**Acquisition** and the "**Accumulated Net Profit**", respectively) was approximately RMB27,486,000 (equivalent to approximately HK$32,983,000), representing a shortfall of approximately RMB189,181,000 (equivalent to approximately HK$227,017,000) as compared to the target profit level of HK$260 million (the "**Target Profit Level**") to be achieved by the Target Company.

On 11 March 2022, the Purchaser, the Vendor, the Guarantor and the Company entered into a conditional supplemental agreement to the Sale and Purchase Agreement for, among others, the extension of time for the Target Company to meet the Target Profit Level for 18 months (the "**Supplemental Agreement**").

The Acquisition constituted a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Further, the Guarantor and the Vendor are connected persons (defined under the Listing Rules) of the Company and accordingly, the transactions contemplated under the Supplemental Agreement constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to, amongst others, the approval of the shareholders of the Company (the "**Shareholders**") (other than the Vendor, the Guarantor and their respective associates (defined under the Listing Rules)) not interested in the Supplemental Agreement (the "**Independent Shareholders**") at an extraordinary general meeting of the Company (the "**EGM**") to be convened.

An independent board committee comprising all the current independent non-executive Directors (the "**INEDs**" and the "**Independent Board Committee**", respectively) has been established to advise the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder. An independent financial adviser (the "**Independent Financial Adviser**") has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Supplemental Agreement, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders (the "**Circular**"), and a notice of the EGM, should be despatched to the Shareholders as soon as reasonably practicable.

Extension of Long Stop Date

Pursuant to the Supplemental Agreement, completion of the transactions contemplated thereunder was conditional upon the fulfillment of the condition precedent to the Supplemental Agreement on or before 31 July 2022 (the "**Long Stop Date**"). As additional time is required for the fulfillment of the condition precedent to the Supplemental Agreement, on 29 July 2022, the Purchaser, the Vendor, the Guarantor and the Company entered into a second supplemental agreement, pursuant to which the Long Stop Date shall be extended to 31 July 2023. Save as disclosed above, all other terms and conditions of the Supplemental Agreement remain unchanged and shall continue in full force and effect.

Delay in Despatch of Circular

As additional time is required to finalise certain information in the Circular, the despatch date of the Circular is expected to be postponed to a date falling on or before 31 October 2022.

For details, please refer to the Company's announcements dated 14 March, 1 and 29 April, 1 June as well as 14 and 29 July, 2022, respectively.

Environmental Technology Related Business

It has come to the Board's attention that environmental protection related issues in the PRC have been one of the topics being focused and mentioned in the 13th and 14th Five Year Plans for Economic and Social Development of the PRC, each of which aims to, including but not limited, contain carbon pollution and emission and promote and encourage the use of green building materials. Driven by the strengthening policies and the enforcement of environmental protection regulations made by the PRC government, the Board considers that there will be continuous substantial demand and opportunities for the integration and application of environmental technologies for the purposes of lowering operation and production costs and improving services quality and efficiency in the PRC to support and maintain its rapid urbanization and industrialization development.

The Board also considers that the Grantee (as defined below), a company principally engaged in the provision of business and consultancy services, may leverage on its expertise in investment advisory services and its business network to provide certain consultancy services to the Group to assist and facilitate the development of the Group's environmental technology related business (i.e. applying or provision of environmental technologies, products, equipment and systems in the production of steel compounds and other industrial compound materials)(the "**Environmental Technology Business**").

On 12 January 2022, the Company entered into a consultancy agreement with Sino Light Investment Advisory Limited (the "**Grantee**") regarding the appointment of the Grantee as a consultant of the Company for the provision to the Group of, amongst others, the following services for or in relation to the development of the Environmental Technology Business (the "**Consultancy Services**") for a term of two years (the "**Consultancy Agreement**") from the completion date of the Consultancy Agreement:

(i) the business and investment, consultation and advisory services;

(ii) screening, identifying and introducing potential quality business partners to the Group, and assisting the Group in entering into joint venture agreement(s) and/or business cooperation agreement(s) with such partners; and

(iii) proposing viable financial solutions to the Group for development of the Environmental Technology Business,

Pursuant to the Consultancy Agreement, the Board resolved to grant share options of the Company to the Grantee to subscribe for a total of 174,800,000 ordinary shares with a par value of HK$0.2 each in the capital of the Company (the "**Shares**" and the "**Options**", respectively) at the exercise price of HK$0.2 per Share under a share option scheme adopted by the Company on 31 May 2019 (the "**Share Option Scheme**") as consideration for the Consultancy Services. Completion of the Consultancy Agreement was conditional upon the passing of the necessary resolutions by the Shareholders at an EGM to be convened, approving the grant of Options to the Grantee and the transactions contemplated thereunder. An EGM was held on 22 April 2022 and the relevant resolutions were passed by the Shareholders thereat. The Consultancy Agreement was completed on 25 April 2022.

Please refer to the Company's announcement dated 12 January 2022, circular dated 30 March 2022 and announcement dated 22 April 2022 for details.

FINANCIAL REVIEW

Segment Revenue and Gross Profit

(i) Production and Sales of Steel Products

In disaggregation of revenue from contracts with customers, the revenue from:

(a) domestic sales of steel products in the PRC during the Reporting Period was approximately RMB793,028,000, representing an increase of approximately 74.5% compared with Year 2020's approximately RMB454,416,000;

(b) indirect export sales of steel products in the PRC during the Reporting Period was approximately RMB65,744,000, representing an increase of approximately 24.2% compared with approximately RMB52,942,000 for Year 2020; and

(c) direct export sales of steel products outside the PRC during the Reporting Period was approximately RMB42,404,000, representing an increase of approximately 44.8% while it was approximately RMB29,288,000 for Year 2020.

As a result, the aggregate revenue of this segment increased by 67.9% from approximately RMB536,646,000 for Year 2020 to approximately RMB901,176,000 for the Reporting Period.

This segment recorded gross profit of approximately RMB117,235,000 for the Reporting Period, with a gross profit margin of approximately 13.0%, compared with gross profit of approximately RMB75,851,000 and gross profit margin of approximately 14.1% for Year 2020. The gross profit margin decreased due to an increase in domestic sale of steel pipes, steel sheets and steel products with a lower profit margin. The segment profit for the Reporting Period was approximately RMB36,464,000 (Year 2020: RMB39,078,000).

(ii) Urban Renewal Project Planning and Consulting

During the Reporting Period, revenue of approximately RMB1,476,000 was recorded from this segment (Year 2020: RMB44,466,000). Recognition of revenue in this segment mainly depends on the progress of the redevelopment projects accordingly. The segment loss was approximately RMB7,725,000 (Year 2020: profit of approximately RMB34,703,000).

Consolidated Revenue and Gross Profit

The Group recorded revenue of approximately RMB902,652,000, gross profit of approximately RMB118,711,000 and a gross profit margin of approximately 13.1% for the Reporting Period, compared with revenue of approximately RMB581,112,000, gross profit of approximately RMB120,317,000 and a gross profit margin of approximately 20.7% for Year 2020. The substantial decrease in gross profit margin was mainly attributable to (a) the volume increase in domestic sales of steel pipe, steel sheets and other steel products with a lower profit margin; and (b) the terrible decrease in revenue of the urban renewal project planning and consulting segment, resulting in gross loss.

Other Income

The Group's other income increased from approximately RMB11,258,000 for Year 2020 to approximately RMB24,637,000 for the Reporting Period. During the Reporting Period, the Group received a subsidy from the local government authorities of the PRC of approximately RMB4,712,000 (Year 2020: RMB1,867,000) for supporting the Group's operation and encouraging innovation of production technology, and recorded an increase of scrap sales from approximately RMB8,037,000 for Year 2020 to approximately RMB18,344,000 for the Reporting Period.

Other Net Gain

The Group turned from other net loss of approximately RMB9,026,000 for Year 2020 to other net gain of approximately RMB2,525,000 for the Reporting Period. The turnaround was mainly due to the reversal of impairment on trade and other receivables and net exchange gain.

Operating Expenses

The total operating expenses of the Group for the Reporting Period were approximately RMB131,100,000 (Year 2020: RMB74,886,000), of which approximately RMB60,931,000 was distribution costs, approximately RMB70,163,000 was administrative expenses and approximately RMB6,000 was other operating expenses, accounting for approximately 46.5%, 53.5% and 0% of revenue for the Reporting Period respectively, while the amounts for Year 2020 were approximately RMB33,723,000, RMB41,125,000 and RMB38,000 respectively, accounting for approximately 45.0 %, 54.9% and 0.1% of revenue for Year 2020, respectively. The increase in operating expenses was mainly due to increases of entertainment expenses and salary.

Finance Costs

During the Reporting Period, the Group incurred finance costs of approximately RMB17,915,000 (Year 2020: RMB14,442,000), of which the interest for a promissory note issued in the Acquisition (as stated in the "Urban Renewal Projects Planning and Consulting" paragraph of the Business Review above) amounted to approximately RMB13,269,000 (Year 2020: RMB12,112,000). Others were bank interest expenses of approximately RMB3,877,000 (2020: RMB1,920,000), lease liabilities interest of approximately RMB135,000 (2020: RMB273,000) and other finance charges of approximately RMB634,000 (2020: RMB137,000).

Loss Attributable to Owners of the Company

As a result, the Group recorded loss attributable to owners of the Company for the Reporting Period of approximately RMB14,304,000 whereas recording profit attributable to owners of the Company for Year 2020 of approximately RMB15,854,000.

Property, Plant and Equipment

As at 30 June 2022, the property, plant and equipment amounted to approximately RMB53,028,000, representing an increase of approximately 11.7% when compared to approximately RMB47,482,000 as at 31 December 2020, mainly attributable to additions to construction of property in progress.

As at 30 June 2022 and 31 December 2020, no property, plant and equipment of the Group were pledged to secure any borrowings granted to the Group.

Right-of-use Assets and Lease Liabilities

As at 30 June 2022, the Group recognized the right-of-use assets and lease liabilities amounting to approximately RMB5,377,000 and RMB203,000 respectively, as compared to approximately RMB7,820,000 and RMB2,421,000 respectively as at 31 December 2020. The Group leases various land and buildings and its lease agreements are typically made for fixed periods of 2 years. Right-of-use assets are depreciated over the lease term on a straight-line basis. Accordingly, depreciation of right-of-use assets for the Reporting Period was approximately RMB2,050,000 (Year 2020: RMB1,783,000).

Interest in an Associate

Through the completion of the Acquisition, the Group commenced a new business line on urban renewal project planning and consulting since then. The Target Company, through its invested company Hua Fa Yue Tang, as an associate of the Company, of which a 49% equity interest was indirectly owned by the Company, operates the redevelopment project of Yuetang Village*（月堂村）located in Sanzhao Town, Jinwan District, Zhuhai City, the PRC. Details of the Acquisition were set out in the announcements of the Company dated 11 June, 12 September, 30 September and 31 October 2019 and 26 November 2020, respectively and the circular of the Company dated 23 August 2019.

Financial Assets at Fair Value through Profit or Loss

As at 30 June 2022, the financial assets at fair value through profit or loss generated from the Acquisition amounted to RMBNil (31 December 2020: RMB19,000). Contingent consideration receivable of RMBNil (31 December 2019: RMBNil) and put option of RMBNil (31 December 2019: RMB19,000) were designated at these financial assets which were stated at fair value. These valuations were performed by an independent professional valuer, which revalued the financial assets as at 30 June 2022 according to the fair value requirements under HKFRS 9 *Financial Instruments*.

Inventories

As at 30 June 2022, the inventories amounted to approximately RMB93,543,000 (31 December 2020: RMB87,635,000), representing a 6.7% increase and an aggregation of stock in various status, being raw materials, work-in-progress, finished goods and goods-in-transit. Raw materials decreased by 34.6% from approximately RMB43,533,000 as at 31 December 2020 to approximately RMB28,449,000 as at 30 June 2022 and finished goods increased by 65.8% from approximately RMB37,762,000 as 31 December 2020 to approximately RMB62,598,000 as at 30 June 2022. The substantial increase in finished goods was due to lower sales in the first half of 2022 caused by the COVID-19.

Trade and Other Receivables

Trade and other receivables amounted to approximately RMB367,614,000 as at 30 June 2022, representing a decrease of 4.4% when compared to approximately RMB384,721,000 as at 31 December 2020, which was a combined effect of decreases in trade receivables of 10.2% and bills receivables of 73.4%, and increases of prepayment and other deposit of 3.5%, other receivables of 182% and amount due from joint venture of 18.74%. The substantial decrease in bills receivables was mainly owing to the maturity of most of the bills receivables and lower sales in the first half of 2022 and the substantial increase in other receivables was mainly owing to the refund from a supplier for failure to provide materials for production.

Trade and Other Payables

Trade and other payables amounted to approximately RMB115,447,000 as at 30 June 2022, representing an increase of approximately 16.9% when compared to approximately RMB98,749,000 as at 31 December 2020.

Borrowings

As at 30 June 2022 and 31 December 2020, the Group's outstanding borrowings were approximately RMB7,637,000 and RMB40,000,000, respectively. The loan of RMB4,000,000 from a bank in the PRC bearing fixed interest rates of 4.35% to 5.22% per annum was repaid in the Reporting Period. There were loans from third parties dominated in HK$ and bearing interest rates of 8% to 10% per annum in the Reporting Period.

No assets of the Group were pledged to secured the borrowings as at 30 June 2022 and 31 December 2020.

Promissory Notes

Upon the completion date of the Acquisition, a subsidiary of the Company issued promissory notes with a principal amount of HK$158,000,000 as part of the settlement of the consideration for the Acquisition (the "**PNs**"). The PNs bore interest at 3% per annum payable semi-annually and the maturity date was 2 years from the date of issue. The fair value of the PNs upon issuance was assessed at approximately RMB122,260,000 (HK$136,089,944) by an independent professional valuer. The effective interest rate of the PNs was 10%.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30 June 2022, 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 announcement, the share capital of the Company comprises ordinary Shares only.

During the Reporting Period, the Group financed its operations by (i) cash flow from operating activities; (ii) borrowings from a bank, a financial institution and a third party; and (iii) funding through an open offer in late 2018.

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

The Group had net current assets of approximately RMB215,999,000 as at 30 June 2022 as compared with RMB231,347,000 as at 31 December 2020. The current ratio (i.e. current assets divided by current liabilities) was approximately 1.8 times as at 30 June 2022, same as that as at 31 December 2020.

As at 30 June 2022, the Group had a balance of approximately RMB7,637,000 borrowings from a financial institution and a third party to finance the Group's working capital and capital expenditures (31 December 2020: from a bank of RMB40,000,000).

During the Reporting Period, the Group recorded net cash inflow of approximately RMB21,471,000 from its operating activities. The amount was mainly attributed to the loss before tax of approximately RMB3,367,000, together with finance cost of approximately RMB17,915,000, depreciation of approximately RMB7,315,000, depreciation of right-of-use assets of RMB2,050,000, which were offset by net change in inventories of approximately RMB5,908,000, but were compensated by net change in trade and other receivables of approximately RMB17,915,000 and net change in trade and other payables of RMB16,698,000. Net cash outflow of approximately RMB12,742,000 was from investing activities for the Reporting Period, mainly caused by the payment for purchase of property, plant and equipment of approximately RMB13,819,000. Net cash outflow of approximately RMB40,621,000 from financing activities for the Reporting Period mainly resulted from the repayment of the bank loan. Bank deposits and cash balances as at 30 June 2022 amounted to approximately RMB33,201,000, which was mainly denominated in Renminbi and HK dollars (31 December 2020: RMB37,575,000).

The debt-to-equity ratio (i.e. total liabilities divided by issued share capital) as at 30 June 2022 was approximately 71.1% while it was approximately 71.3% as at 31 December 2020. Current portion of borrowings accounted for approximately 1.0% and 5.2% of the total assets of the Group as at 30 June 2022 and 31 December 2020, respectively.

Update on the use of proceeds from Open Offer

On 20 July 2018, the Company entered into underwriting agreements in relation to the underwriting and certain other arrangements in respect of an open offer on the basis of four offer shares for every one share in issue and held by the Shareholders 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, 20 July, 18 September and 19 November 2018, the Company's circular dated 21 September 2018 and the Company's prospectus dated 29 October 2018.

During Year 2020, the Company re-allocated partial of the unused proceeds of capital expenditure in the amount of approximately RMB43,000,000 (equivalent to approximately HK$50,955,000 based on the exchange rate of RMB1 = HK$1.185) to general working capital to support the daily business of the Group. Details of the change of use of proceeds were set out in the Company's announcement dated 21 December 2020 and 20 January 2021.

As at 30 June 2022, approximately RMB43,396,000 (HK$48,761,000) was used for settling legal, consulting and professional fees and other costs and expenses arising from trading resumption of the Shares, approximately RMB57,024,000 (HK$64,074,000) was used for repayment of outstanding loans, approximately RMB4,713,000 (HK$5,296,000) was used for settling Directors' remuneration, approximately RMB38,502,000 (HK$46,295,000) was used for capital expenditure, approximately RMB83,919,000 (HK$100,645,000) was used for the general working capital of the Group and the remaining balance of approximately RMB8,169,000 (HK$9,823,000) remained unutilized, which is expected to be utilized mainly in the year ending 30 June 2023.

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 Reporting Period, the Group was not exposed to any significant foreign exchange risk. In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimize currency risk.

CHARGE ON GROUP ASSETS

As at 30 June 2022, no assets were pledged to banks, financial institutions or a third party for securing banking or other financing facilities granted to the Group.

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 a 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.

Claims against the Company

On 14 April 2021, the Company received two writs of summons under action numbers HCA 548 of 2020 and HCA 213 of 2021 issued in the High Court of Hong Kong by the solicitors acting for plaintiffs against the Company (as defendant). The plaintiffs alleged that the Company was indebted to them pursuant to convertible notes (principal amount of HK$90,000,000 in aggregate) and a promissory note (principal amount of HK$300,000,000) issued in May 2011 by the Company (the "**Claims**").

After seeking professional advice from the legal advisor, and to the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the Board believes that the claimants are attempting to cause harm to the interests of the Company through the use of legal proceedings. Accordingly, the Company will strenuously defend the Claims in compliance with applicable laws and regulations, reserve the right to counterclaim against the claimants, and use its best endeavours to safeguard the overall interests of the Shareholders. In the Directors' opinion, the Claims, if any, will not have a material impact on the Group's financial position. Details of the Claims were set out in the announcements of the Company dated 14 April and 6 May 2021, respectively.

LEGAL CASES UPDATE

Claim Disputes in Shenzhen

References are made to the Company's announcements dated 13 October 2017, 5 October, 20 November and 27 November 2018 as well as 19 March 2020, respectively and circular dated 23 August 2019, Guangzhou Mayer had provided investments in aggregate amounting to RMB50 million, doubtfully, to three investment companies by the 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 People's Court of Qianhai Cooperation District, Shenzhen, Guangdong Province* (the "**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* (the "**Futian District Court**") had taken up the mentioned petitions from the Court of Qianhai and had a hearing on 20 November 2018. The Futian District Court made decisions that two defendants shall repay in total RMB30 million plus interest for the Reporting Period of possession of the fund to Guangzhou Mayer. Auditors of the Company expressed their qualified opinion on the issue in the audited financial statement for the year ended 31 December 2018 with full impairment made in the same year.

Guangzhou Mayer is considering to apply for a civil lawsuit against the ultimate beneficial owner of two defendants, as Guangzhou Mayer has received notices from the Futian District Court that the two defendants did not have any executable assets for legal enforcement procedure to settle the claims according to such court decisions.

Further announcement(s) will be made to update on the progress of the matter as and when appropriate.

Suspected Breach of Fiduciary Duties by Former Directors

As announced by the Company on 2 December 2021, the Company became aware that Mr. Xu Lidi ("**Mr. Xu**"), the former chairman of the Board (the "**Chairman**") and executive Director, and Mr. Wang Dongqi ("**Mr. Wang**"), a former non-executive Director, were suspected of in breach of their fiduciary duties owed towards the Company by abusing the use of the corporate chops of Bamian Investments Pte Ltd ("**Bamian**"), a wholly-owned subsidiary of the Company holding 81.4% of the equity interests of Guangzhou Mayer, to unlawfully dismiss the office of Mr. Lee Kwok Leung ("**Mr. Lee**"), presently the Chairman and an executive Director, Mr. Lin Jinhe ("**Mr. Lin**") and Ms. Wan Liman ("**Ms. Wan**") as directors of Guangzhou Mayers, of which. In light of the above, the Board resolved to, among other matters, take legal actions against Mr. Xu and Mr. Wang for their suspected breaches of fiduciary duties as and when necessary.

On 17 January 2022, a hearing of the High Court of Hong Kong (the "**High Court**") in respect of the interlocutory injunction application (the "**Action**") filed by the Company, as plaintiff, on 6 January 2022 against Mr. Xu and Mr. Wang (together with Mr. Xu, the "**Defendants**"), as defendants, took place. The Company claimed that the Defendants had acted in ways that were in breach of the undertaking letters signed by them on 4 August 2017 in favour of the Company, which stipulated that each of the Defendants shall, among other things, act in the best interests of the Company and the Shareholders as a whole. As advised by the Hong Kong legal advisers of the Company (the "**Legal Advisers**") and as stated in the statement of claim of the Action, the Company claimed against the Defendants, amongst others, an order that the Defendants do deliver up the company seal, financial seal, contract seal, invoice seal, financial department seal, board of directors' seal and legal representative seal of each of Guangzhou Mayer and certain indirect subsidiaries of the Company in Guangzhou and Shenzhen.

On 20 January 2022, the Company received a sealed copy of the order from the High Court that the application for the interim injunctive relief under the Action (the "**Application**") be dismissed. As advised by the Legal Advisers, despite the Company's efforts in seeking to persuade the Court that Hong Kong is the proper forum for the dispute to be determined based on the separate undertaking letters signed by each of Mr. Xu and Mr. Wang respectively, the High Court decided not to exercise its discretion to allow the application for service out of jurisdiction the writ of summons and the relevant documents of the High Court on Mr. Xu and Mr. Wang as defendants. The reasons given by the High Court were that as the reliefs sought concerned the seals of subsidiary companies incorporated in the PRC and involved questions of the PRC law, the more suitable forum for adjudicating the disputes among the Company, Mr. Xu and Mr. Wang should be the courts in the PRC.

The Company is still in the course of seeking legal advice on the above and, among other things, considering the initiation of legal proceedings in the PRC and/or Singapore against Mr. Xu and/or Mr. Wang to safeguard the legitimate rights and interests of the Company and the Shareholders.

The Company will keep the Shareholders and the potential investors informed of any further material developments in connection with the above by way of further announcement(s) as and when appropriate.

Please refer to the Company's announcements dated 2 December 2021 as well as 10, 11 and 20 January and 6 April 2022, respectively for details.

Setting up of Independent Investigation Committee

In December 2021, the Board set up an independent investigation committee (the "**IIC**") comprising Mr. Chan Chun Kit ("**Mr. Chan**"), Mr. Lau Kwok Hung and Mr. Wong Chi Kin ("**Mr. Wong**"), all being the INEDs, with Mr. Chan as chairman, to investigate the suspected breach of fiduciary duties by Mr. Xu and Mr. Wang and the allegations made by Mr. Xu as mentioned under the "Former Executive Director's Allegations" sub-section below. In mid-December 2021, an independent forensic and corporate recovery company (the "**Independent Investigator**") was appointed by the IIC to perform an investigation on the relevant matters and report its findings to the IIC based on its investigation results. In mid-January 2022, the IIC also referred the allegations made by Mr. Wang as mentioned under the "Former Non-Executive Director's Allegations" sub-section below to the Independent Investigator for investigation.

Following the resignation of Mr. Wong as an INED and the appointment of Mr. Lu Jianping as an INED, on 28 February 2022, Mr. Lu Jianping became a member of the IIC in substitution of Mr. Wong.

The Independent Investigator issued its report in early April 2022 (the "**Report**") and the IIC reviewed the Report and provided its recommendations to the Board. The Board concurred with the Report and the IIC's recommendations for prompt implementation. Please refer to the Company's announcement dated 6 April 2022.

Based on its findings, the Independent Investigator is of the view that Mr. Xu and Mr. Wang were in breach of their fiduciary duties owed to the Company.

Directorship and Management Committee in Guangzhou Mayer

The Company became aware that Mr. Lee, Mr. Lin and Ms. Wan were unlawfully dismissed as directors of Guangzhou Mayer and in light of the above, the Board resolved to, among other things, invalidate the resolutions of Guangzhou Mayer in respect of the dismissal of Mr. Lee, Mr. Lin and Ms. Wan as directors of Guangzhou Mayer, as well as the appointment of Mr. Hao Qiang ("**Mr. Hao**"), Mr. He Peng ("**Mr. He**") and Mr. Liu Haiyang ("**Mr. Liu**") as directors of Guangzhou Mayer.

Upon the investigation by the Company in mid-December 2021, it was found out that, without the knowledge of the Board, Mr. Lee, Mr. Lin and Ms. Wan were dismissed as directors of Guangzhou Mayer and Mr. Hao, Mr. He and Mr. Liu were appointed as directors of Guangzhou Mayer at an extraordinary general meeting of Guangzhou Mayer held on 24 November 2021 (the "**GM Shareholders' Meeting**").

As advised by the legal advisers of the Company in the PRC, in order to give effect to the invalidation of the relevant resolutions passed at the GM Shareholders' Meeting, the Company should, via Bamian as Guangzhou Mayer's major shareholder, convene an extraordinary general meeting of Guangzhou Mayer (the "**Guangzhou Mayer EGM**") and pass resolutions to remove and appoint directors of Guangzhou Mayer as it shall propose. On 29 January 2022, the Guangzhou Mayer EGM was held whereby it was legally and validly resolved by Bamian that the new directors of Guangzhou Mayer shall comprise Mr. Lee, Mr. Lin, Ms. Wan, Mr. Xiao Libo (an executive Director) and Mr. Huang Fugen. As a result, Mr. Hao, Mr. He and Mr. Liu shall no longer be directors of Guangzhou Mayer with effect from 29 January 2022.

Subsequent to the Board meeting held on 26 November 2021, it was resolved by the Board on 29 March 2022 that a general management and control committee (the "**Committee**") shall be established by Guangzhou Mayer in substitution of the risk management committee, asset management committee, senior management nomination and remuneration committee, and internal audit committee. The Committee shall report to the board of directors of Guangzhou Mayer and provide advice on the management (including risk management and asset management), senior management nomination and remuneration, and internal audit aspects of Guangzhou Mayer. The Committee was established in late April 2022 after the approval by the board of directors of Guangzhou Mayer.

Former Executive Director's Allegations

Mr. Xu when resigning from the Company as the Chairman and an executive Director on 3 December 2021 made certain allegations against the Company and certain Directors, which were disclosed in the Company's announcement dated 6 April 2022. He alleged that, amongst others, after a substantial shareholder of the Company (the "**Substantial Shareholder**") had acquired 460,000,000 Shares, representing approximately 24.04% of the issued share capital of the Company, on 26 October 2021, those Directors nominated by the Substantial Shareholder used various measures to attempt to take control of the Board and ignored the facts and frequently convened Board meetings in relation to a resolution which was voted down at the Board meetings more than once to achieve their own goals.

Based on its findings, the Independent Investigator opines that the appointment of the Directors nominated by the Substantial Shareholder were valid and that it is reasonable to conclude that all the relevant resolutions of the Board meetings concerned were passed in good faith and in the interests of the Company and the Shareholders as a whole as the purpose of them was to strengthen the corporate governance of Guangzhou Mayer.

The Company is currently seeking legal advice on such allegations and will keep the Shareholders and potential investors of the Company informed of any further material developments in connection therewith by way of announcement(s) as and when appropriate.

Former Non-Executive Director's Allegations

Mr. Wang, when resigning from the Company as a non-executive Director (the "**NED**") on 11 January 2022, made certain allegations against the Company and certain Directors, which were disclosed in the Company's announcement dated 4 February 2022. He alleged that, amongs others, the Board which was under the manipulation of certain individuals passed a resolution through repeatedly convening Board meetings and considering resolutions which were of the same content and frequently proposed at various Board meetings.

Based on its findings, the Independent Investigator opines that it is reasonable to conclude that Mr. Wang's allegations were not substantiated.

The details of the legal proceedings initiated by the Company against Mr. Wang have been disclosed in the announcements of the Company dated 10 and 20 January 2022, respectively.

The Company is still in the course of seeking legal advice on the allegations made by Mr. Wang and initiating legal proceedings against him and will keep the Shareholders and potential investors of the Company informed of any further material developments in connection with the above by way of announcement(s) as and when appropriate.

Please refer to the Company's announcements dated 12 January, 4 February and 6 April 2022, respectively for details.

Impact of Resignations of Mr. Xu and Mr. Wang to the Company

Prior to Mr. Xu's resignation as the Chairman and an executive Director, Mr. Xu was responsible for providing leadership for the Board and the strategic direction of the Company. Mr. Wang, prior to his resignation as a NED, was collectively responsible for the Company's management and operations together with other Directors although he did not have any major role in the daily operations of the Group.

Subsequent to the resignations of Mr. Xu and Mr. Wang, while the remaining Directors on the Board (with Mr. Lee being re-appointed as the Chairman on 22 February 2022) have collectively been responsible for overseeing the Group's strategic planning and development, and determining the objectives, strategies and policies of the Group, the main day-to-day operations of the Group has been handled by the senior management of the Group, who have in general over four years of working experience in the Group, and are responsible for managing the financial matters and the operation of other business departments, including production, quality control, sales and technical departments. There has been no change in the senior management of the Group and the operations of the Group remains stable. Based on the above, the Board is of the view that the resignations of Mr. Xu and Mr. Wang did not have any material impact to the Company's operations and financial position.

Updates on Market Misconduct Tribunal's Determination

By a notice dated 4 March 2016, the Company was notified by the Securities and Futures Commission of Hong Kong that it had commenced proceedings in the Market Misconduct Tribunal (the "**MMT**") against (i) the Company for failing to disclose price sensitive information as soon as reasonably practicable; and (ii) certain former senior officers of the Company for their reckless or negligent conduct causing the alleged breach by the Company of the provisions of the statutory corporate disclosure regime. Hearings were held on 1 November 2016 (on liability) and 15 March 2017 (on sanctions) (the "**MMT Proceedings**"). The MMT issued two reports on 7 February 2017 and 5 April 2017, respectively (the "**MMT's Determination**"), which (i) found that the Company and each of those former senior officers (together, the "**Specified Persons**") were in breach of the disclosure requirements; and (ii) imposed sanctions on each of the Specified Persons. Details of MMT's Proceedings are set out in the Company's announcements dated 14 March 2016, as well as 8 February and 6 April 2017.

Following an appeal against the MMT's Determination by the relevant party(ies), the Court of Appeal on 5 June 2020 handed down its judgment which set aside the determination of liability against the Specified Persons, including the Company. However, the Court ordered the case to be remitted to the MMT to consider the limited issue of whether the subject information would be likely to materially affect the price taking into account the post-suspension events.

The remitted hearing before the MMT was originally scheduled to be heard in August 2021 but has been adjourned to dates to be fixed by the MMT. The Company will keep the Shareholders and potential investors of the Company informed of any further material developments in connection with the above proceedings by way of announcement(s) as and when appropriate.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2022, the Group had a total of 345 employees (31 December 2020: 355). Total staff costs, including Directors' emoluments for the Reporting Period were approximately RMB80,039,000 (Year 2020: RMB44,265,000), including retirement benefits cost of approximately RMB9,026,000 (Year 2020: RMB2,035,000). 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 its products and services.

The Share Option Scheme was approved and adopted by the Shareholders at the annual general meeting of the Company (the "**AGM**") held on 31 May 2019. The Board considers that the Share Option Scheme will incentivise more persons/entities to contribute positively to the Group, and facilitate the retention and the recruitment of high-calibre staff of the Group. Options have been granted to the Grantee during the Reporting Period. Please refer to the "Environmental Technology Related Business" sub-section under the "Business Review" section above.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period and did not have any significant investments held as at 30 June 2022.

CAPITAL COMMITMENTS

The Group had no significant capital commitments outstanding at 30 June 2022 and 31 December 2020.

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 balance risk and return across investment types is a key consideration of investment framework. Risk assessment is one of important aspects 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, arises 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 debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity Risk

In managing 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. 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. Management manages and monitors these exposures to ensure that 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, regulations and codes. 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.

OUTLOOK

Steel pipes, steel sheets and other steel products

The central government of China has advocated domestic and international complementary "dual circulation" economic development directions, in which the domestic economic cycle plays a leading role. It has also introduced favourable policies that benefit the development of the Guangdong-Hong Kong-Macau Greater Bay Area in which the Company operates. These developments open the door to new strategic opportunities for economic development and are good news for Guangzhou Mayer. In view of citizens' hopes and aspirations for better life and the continuous rise in consumption power in the country, many local governments in China are upgrading (from PPR plastic water pipes to stainless steel ones) and overhauling their municipal water supply systems. Citizens are also increasingly aware of the health benefits of the use of stainless steel water pipes and the supply of better water. These trends will bring the Group good development opportunities. The Group will continue to seize such historic opportunities, stay abreast of the time and foster the business of Guangzhou Mayer.

In respect of carbon steel products, the Group will further improve its production yield rate, lower its production cost per unit and satisfy customers' requirements through constant improvement in internal management. The Group will also fully capitalise on its leadership position in the industry, brand influence and geographical advantage to steadily develop new markets and gradually increase its market share while consolidating the existing markets of its products. With the missions to safeguard quality and help outstanding enterprises achieve success, the Group will strive to establish the carbon steel business as the most influential supporting and servicing brand for steel users in the Greater Bay Area.

With respect to stainless steel products, the Group will focus on quality, service and costs. It will continue to step up technological research and modernise its production equipment. At the same time, employees' skills will be enhanced to safeguard product quality, after-sale services will be strengthened to satisfy the customers, management will be trained to be more cost-conscious, and cost control will be engraved in every employee's mind. Further, it is absolutely critical for the Group to expand the international market of its stainless steel pipes while enlarging its share in the domestic market at the same time. To take its export to the next level, the Group will have to steadily enlarge its overseas markets such as Southeast Asia. With the missions to make good pipes, distribute good water, improve the quality of drinking water and provide competitive water supply solutions and services to the customers, the Group's stainless steel business will strive to bring stainless steel pipes to the Chinese households.

In view of the mounting pressure on the Group's operations such as constant market competition, the unending global pandemic, the trade disputes between China and the United States, surging raw material prices, rising labour costs and the vicious price competition adopted by some of the Group's peers, the Group simply cannot afford to be complacent about its advantages. Nevertheless, the management of the Group and, in particular, Guangzhou Mayer have to meet such challenges by capturing every business opportunity and enlarging the Group's market share.

Due to trade frictions and disputes between China and the United States, tariffs imposed on the steel products exported overseas will not be relaxed or uplifted in the near future, which will reduce the Group's overseas customers' demand for carbon steel products, resulting in a decrease in orders for Guangzhou Mayer's carbon steel products. If the situation persists, it will adversely affect the Group's business and sales. In response to the trade war between China and the United States, the Group will continue to increase the domestic sales of carbon steel products to offset the reduction of sales caused by the decrease in export orders. In terms of product sales categories, the Group will increase efforts to promote stainless steel products, and actively develop customers for domestic stainless steel pipes to expand sales channels and sales of stainless steel products.

The Group's management unanimously believes that by utilising the Group's extensive experience in project study, market analysis and investigation, product research, development and sales, customer development and services, production operation as well as 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 consulting

With extensive knowledge of the real estate markets in the Greater Bay Area and Zhuhai City, project companies of the Group have conducted in-depth researches into their subject land lots. With such knowledge and researches, the Group will select and develop more land lots with strategic value in these regions while actively identifying more projects that require consulting services with the aim of fostering the Group's business in these markets.

The Group will also continue to design its projects and coordinate their reporting and development while closely following the promulgation of rules and measures in relation to the "Three Olds" redevelopment policy so as to expedite the application, approval and other preliminary internal and external procedures of its projects.

PROSPECTS

In the first half of 2022, the successive outbreaks of COVID-19 in different cities, including Shanghai, Suzhou, Wuxi and Changzhou and especially Shanghai cast tremendous adverse effect on the economy of China. China's gross domestic product (GDP) grew merely 2.5% during that period, lower than expected. In the current period and the rest of the second half of 2022, there will still be certain instabilities and uncertainties caused by the complex and volatile international and domestic macro-economical environment. However, the Chinese government has been proactively launching policies to boost China's economy which is expected to pick up gradually. Therefore, there would be opportunities for the steel industry and the Group is prudently optimistic that Guangzhou Mayer's management could surmount all difficulties, realise sustainable development and make precise efforts to ensure the implementation of annual indicators.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (Year 2020: nil). No dividend was paid during the Reporting Period (Year 2020: nil).

EVENTS AFTER THE REPORTING PERIOD

On 25 July 2022, Guangzhou Mayer entered into an equity investment agreement with Guangdong Golden Way Environmental and Energy Saving Technology Co., Ltd*（廣東高威環保節能科技有限公司）(“**Golden Way**”), Start Upward Limited (“**Start Upward**”) and an individual, all being independent third parties (the “**Equity Investment Agreement**”), pursuant to which:

(i) Golden Way conditionally agreed to make the Capital Contribution (as stated in the Equity Investment Agreement) to Guangzhou Mayer Technology Development Ltd*（廣州美亞科技發展有限公司）, an existing wholly-owned subsidiary of Guangzhou Mayer (“**Mayer Technology**”) in cash in the amount of RMB6 million;

(ii) Guangzhou Mayer conditionally agreed to make the Capital Contribution, which increased its capital investment in Mayer Technology from RMB1 million to RMB14 million;

(iii) the registered capital of Mayer Technology will increase from RMB1 million to RMB20 million as a result of the Capital Contribution; and

(iv) Start Upward conditionally agreed to grant Mayer Technology the exclusive right of the use of the licensed patent granted to it in respect of the production technology of nano phase change energy storage material(s) (the “**Nano PCMs**”) in the PRC.

After the entering into of the Equity Investment Agreement, Mayer Technology will be principally engaged in the manufacturing and selling of 8℃ Nano PCMs and relative equipment. Upon the Capital Contribution, the equity interests owned by Guangzhou Mayer and Golden Way in Mayer Technology will be 70% and 30%, respectively.

For details, please refer to the announcement of the Company dated 26 September 2022 on the Company’s website (www.mayer.com.hk).

Save as disclosed above, the Group had no material event after the Reporting Period.

CORPORATE GOVERNANCE

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 applied the principles in, and complied with the code provisions of, the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") throughout the Reporting Period except for the deviation from each of the following code provisions of the CG Code explained below.

Code provision	Reason for the non-compliance and improvement actions taken or to be taken
C.1.8 Insurance cover	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 period from 1 January 2021 to 27 September 2021. A directors and officers liability insurance policy was taken out by the Company with effect from 28 September 2021.
C.2.1 Separate roles of chairman and chief executive	Mr. Xu Lidi ("**Mr. Xu**"), an Executive Director, ceased to act as the Company's Chief Executive Officer (the "**CEO**") when he was appointed as the Chairman with effect from 12 March 2021. The Company did not appoint a CEO as the role and function of the CEO were performed by all the Executive Directors collectively. While continuously assessing whether any changes were necessary, the Board believed that the then arrangement enabled the Company to make and implement decisions promptly, and thus, achieved the Company's objectives effectively and efficiently in response to the changing environment.

	Mr. Xiao Libo, an Executive Director, was appointed as the CEO with effect from 26 November 2021. The roles and functions of the Chairman and the CEO had been performed by two separate individuals since that date. Mr. Xu resigned as the Chairman and an Executive Director with effect from 3 December 2021. The role and function of the CEO were resumed for performance by all the then Executive Directors. Mr. Lee Kwok Leung, an Executive Director, was re-appointed as the Chairman with effect from 22 February, 2022. The roles and functions of the Chairman and the CEO have been performed by two separate individuals since that date.
A.5.1 (in force immediately before 1 January 2022) Chairman of nomination committee	On 28 February 2021, Mr. Cheng Yuk Ping ("**Mr. Cheng**"), the then Chairman, an Executive Director and the then chairman of the nomination committee of the Board (the "**Nomination Committee**"), passed away. On 2 March 2021, Mr. Xu, who was an Executive Director and the CEO, was appointed as the chairman of the Nomination Committee, which deviated from code provision A.5.1 (which required the Nomination Committee to be chaired by the Chairman or an INED). On 12 March 2021, Mr. Xu was appointed as the Chairman and accordingly, the Company fulfilled the code provision A.5.1 of the CG Code. With effect from 3 December 2021, Mr. Xu resigned as the Chairman and an Executive Director and ceased as the chairman and a member of the Nomination Committee. Hence, the Nomination Committee had two members without a chairman, which did not meet the composition requirement under code provision A.5.1. On 22 December, 2021, Mr. Chan Chun Kit, an INED, was appointed as the chairman of the Nomination Committee and the Nomination Committee has comprised three members with one of them being the chairman. Accordingly, the Company has complied with the composition requirement under code provision A.5.1.

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 Reporting Period.

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 (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. Having been made specific enquiries by the Company, all current Directors have confirmed their compliance with the required standard set out in the Model Code during the Reporting Period.

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

During the Reporting Period, the Company did not redeem its listed securities; nor did the Company or any of its subsidiaries purchase or sell such securities.

REVIEW OF AUDIT COMMITTEE

The Company has set up 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 primarily responsible for reviewing the Group's financial reporting, risk management, internal controls and making relevant recommendations to the Board. The Audit Committee currently comprises three INEDs, namely Mr. Lau Kwok Hung (as the chairman of the committee), Mr. Chan Chun Kit and Mr. Lu Jianping.

The annual results of the Group for the Reporting Period have been reviewed by the Audit Committee.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated results and related notes to the consolidated financial statements for the Reporting Period as set out in this announcement have been agreed by the Group's independent auditor, ZHONGHUI ANDA CPA Limited ("**Zhonghui**"). The work performed by Zhonghui 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 on this announcement.

PUBLICATION OF RESULTS AND REPORT

This results announcement for the Reported Period is available for viewing on the respective websites of the Stock Exchange at www.hkex.com.hk and the Company at www.mayer.com.hk. The report of the Company for the Reporting Period will be dispatched to the Shareholders by the end of October 2022, and will be made available for viewing at the aforesaid websites.

PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to amend and restate the existing memorandum of association and articles of association of the Company (the "**Memorandum and Articles of Association**") in order to bring the Memorandum and Articles of Association in line with the latest legal and regulatory requirements under the applicable laws of the Cayman Islands and the Listing Rules (including the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules, which have become effective from 1 January 2022) and make some other housekeeping improvements.

The proposed amendments to the Memorandum and the Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM. A circular containing, among other things, the particulars relating to the proposed amendments together with a notice of the AGM will be despatched to the Shareholders in due course in the manner as required by the Listing Rules.

By order of the Board
Mayer Holdings Limited
Lee Kwok Leung
Chairman and executive Director

Hong Kong, 29 September 2022

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Lee Kwok Leung (Chairman), Mr. Zhou Shi Hao, Mr. Chen Zhirui, Mr. Xiao Libo (Chief Executive Officer) and Dr. Cheung Ka Yue; one non-executive Director, namely Mr. Lam Chung Chak; and three INEDs, namely Mr. Lau Kwok Hung, Mr. Chan Chun Kit and Mr. Lu Jianping.