美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1116)

Interim Report 2018

* *For identification purpose only*

Contents

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	**2017**
	Notes	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*6*	194,387	170,578
Cost of sales		(173,395)	(148,004)
Gross profit		20,992	22,574
Interest revenue		5,120	255
Other income		3,982	4,606
Other net income/(loss)		793	(575)
Distribution costs		(8,033)	(7,836)
Administrative expenses		(22,548)	(21,985)
Profit/(loss) from operations		306	(2,961)
Impairment loss on amounts due from investee companies		(9)	(52)
Finance costs		(1,622)	(1,374)
Loss before tax		(1,325)	(4,387)
Income tax expense	*7*	(1,661)	–
Loss for the period	*8*	(2,986)	(4,387)
Loss for the period attributable to:			
Owners of the Company		(4,688)	(4,665)
Non-controlling interests		1,702	278
		(2,986)	(4,387)
Loss per share			
Basic and diluted (RMB cents)	*10*	(0.51)	(0.50)

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	(2,986)	(4,387)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(1,076)	3,058
Items that will not be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(223)	(1,785)
Fair value changes of financial assets at fair value through other comprehensive income	1,318	–
Other comprehensive income for the period, net of tax	19	1,273
Total comprehensive income for the period	(2,967)	(3,114)
Total comprehensive income for the period attributable to:		
Owners of the Company	(4,914)	(3,392)
Non-controlling interests	1,947	278
	(2,967)	(3,114)

Condensed Consolidated Statement of Financial Position
At 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	30,873	32,120
Prepaid land lease payments		5,863	5,974
Interest in a joint venture		–	–
Financial assets at fair value through other comprehensive income		69,869	–
Available-for-sale financial assets		–	68,111
Long term receivables		50,000	50,000
		156,605	156,205
Current assets			
Inventories		71,492	51,520
Trade and other receivables	*12*	143,682	140,690
Prepaid land lease payments		222	222
Current tax assets		–	276
Cash and cash equivalents		23,680	31,317
		239,076	224,025
Current liabilities			
Trade and other payables	*13*	95,662	86,941
Current tax payable		762	–
Borrowings		45,417	26,922
		141,841	113,863
Net current assets		97,235	110,162
Total assets less current liabilities		253,840	266,367
Non-current liabilities			
Long term borrowings		–	10,000
Deferred tax liabilities		14,526	14,086
		14,526	24,086
NET ASSETS		239,314	242,281

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Capital and reserves			
Share capital		88,872	88,872
Reserves		93,000	97,914
Equity attributable to owners of the Company		181,872	186,786
Non-controlling interests		57,442	55,495
TOTAL EQUITY		239,314	242,281

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	(Unaudited)										
	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Investment revaluation reserve	Foreign currency translation reserve	Retained profits/ (accumulated losses)	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017 (Audited)	88,872	196,113	67,570	25,892	4,950	–	(25,879)	(202,464)	155,054	53,930	208,984
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	–	1,273	(4,665)	(3,392)	278	(3,114)
At 30 June 2017 (Unaudited)	88,872	196,113	67,570	25,892	4,950	–	(24,606)	(207,129)	151,662	54,208	205,870
At 1 January 2018 (Audited)	88,872	196,113	67,570	25,892	4,950	42,259	(21,800)	(217,070)	186,786	55,495	242,281
Transfer to statutory surplus reserve (Unaudited)	–	–	–	413	–	–	–	(413)	–	–	–
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	1,073	(1,299)	(4,688)	(4,914)	1,947	(2,967)
At 30 June 2018 (Unaudited)	88,872	196,113	67,570	26,305	4,950	43,332	(23,099)	(222,171)	181,872	57,442	239,314

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(13,119)	(24,225)
Cash flows from investing activities		
Proceed from disposal of property, plant and equipment	–	178
Payment for purchase of property, plant and equipment	–	(578)
Long term receivable	–	(50,000)
Interest received	120	255
Net cash generated from/(used in) investing activities	120	(50,145)
Cash flows from financing activities		
Proceed from new borrowings	10,000	–
Repayment of borrowings	(1,500)	(11,402)
Interest paid	(1,622)	(1,374)
Net cash generated from/(used in) financing activities	6,878	(12,776)
Net decrease in cash and cash equivalents	(6,121)	(87,146)
Cash and cash equivalents at beginning of period	31,317	142,379
Effect of changes in foreign exchange rate	(1,516)	1,185
Cash and cash equivalents at end of period	23,680	56,418
Analysis of cash and cash equivalents		
Bank and cash balances	23,680	56,418

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 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal activities of the Company and its subsidiaries (collectively "the Group") for the period ended 30 June 2018 are investment holdings and manufacturing of steel pipes, steel sheets and other products made of steel.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017 ("2017 Annual Report").

The accounting policies and methods of computation used in the preparation of the Interim Financial Statement are consistent with those used in the annual financial statements for the year ended 31 December 2017 except as stated below.

(a) Financial assets

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

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

- Financial assets at amortised cost; and

- Financial assets at fair value through other comprehensive income.

(i) Financial assets at amortised cost

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

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

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

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

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

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

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

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

(b) Loss allowances for expected credit losses

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

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

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

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

(c) Revenue from contracts with customers

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

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

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

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

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

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

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

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

HKFRS 9 (2014) "Financial Instruments"

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

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

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

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

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 30 June 2018:

	Fair value measurements as at 30 June 2018 using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Description				
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income	–	–	69,869	69,869
Total recurring fair value measurements	–	–	69,869	69,869

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

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

Description	**Financial assets at fair value through other comprehensive income** **2018** *RMB'000* (Unaudited)
At 1 January	68,111
Total gains or losses recognised in other comprehensive income	1,758
At 30 June	69,869

Description	**Available-for-sale financial assets** **2017** *RMB'000* (Audited)
At 1 January	11,766
Total gains or losses recognised in other comprehensive income	56,345
At 31 December	68,111

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

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 30 June 2018 *RMB'000*
Financial assets at fair value through other comprehensive income	Market comparable approach	Average price to earning ratio	9.74	Increase	
		Earnings	RMB37,605,000	Increase	
		Discount for lack of marketability/control	20%	Decrease	
					69,869

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value as at 31 December 2017 *RMB'000*
Available-for-sale financial assets	Market comparable approach	Average price to earning ratio	9.56	Increase	
		Earnings	RMB37,372,000	Increase	
		Discount for lack of marketability/control	20%	Decrease	
					68,111

There were no changes in the valuation techniques used.

5. SEGMENT INFORMATION

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

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

- Investments: this segment invests in equity securities to generate dividend income and interest income and/or to gain from the appreciation in the investments' values in the long term.

(a) Segment results, assets and liabilities

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

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

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

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

Period ended 30 June 2018 (Unaudited)	**Steel – PRC** *RMB'000*	**Investment** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	194,387	–	194,387
Segment profit/(loss)	11,922	(4)	11,918
At 30 June 2018 (Unaudited)			
Segment assets	324,783	17	324,800
Segment liabilities	64,648	207	64,855

Period ended 30 June 2017 (Unaudited)	**Steel – PRC** *RMB'000*	**Investment** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	170,578	–	170,578
Segment profit/(loss)	2,869	(56)	2,813
At 31 December 2017 (Audited)			
Segment assets	309,951	19	309,970
Segment liabilities	48,968	204	49,172

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit or loss:		
Total profit of reportable segments	11,918	2,813
Finance cost	(1,622)	(1,374)
Corporate and unallocated profit or loss	(11,621)	(5,826)
Consolidated loss before taxation for the period	(1,325)	(4,387)

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Assets:		
Total assets of reportable segments	324,800	309,970
Corporate and unallocated assets:		
– Financial assets at fair value through other comprehensive income	69,869	–
– Available-for-sale financial assets	–	68,111
– Others	1,012	2,149
Consolidated total assets	395,681	380,230
Liabilities:		
Total liabilities of reportable segments	64,855	49,172
Deferred tax liabilities	14,526	14,086
Corporate and unallocated liabilities	76,986	74,691
Consolidated total liabilities	156,367	137,949

6. REVENUE

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

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of steel pipes, steel sheets and other products made of steel	194,387	170,578

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2018	**2017**
Segments	**Steel – PRC**	**Steel – PRC**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Nature of sales		
Indirect export sales	43,190	55,214
Domestic sales	147,659	111,929
Direct export sales	3,538	3,435
Total	194,387	170,578

All revenue is recognised at a point in time.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC corporation income tax	1,305	–

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the periods ended 30 June 2018 and 30 June 2017.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	171,999	147,901
Depreciation	1,460	2,451
Amortisation of prepaid lease payments	111	111
Net exchange (gain)/losses	(793)	525
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	15,465	12,831
– Retirement benefits scheme contributions	2,776	4,055
	18,241	16,886

9. INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB4,688,000 (2017: RMB4,665,000) and the weighted average number of 927,564,000 ordinary shares (2017: 927,564,000 ordinary shares) in issue during the period.

Diluted loss per share

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, property, plant and equipment of approximately RMB363,000 was acquired by the Group (six months ended 30 June 2017: approximately RMB578,000).

12. TRADE AND OTHER RECEIVABLES

The trade and other receivables included trade receivables of approximately RMB109,056,000 as at 30 June 2018. The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	30 June 2018	**31 December 2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 30 days	37,079	36,885
31 to 60 days	33,498	34,886
61 to 90 days	21,820	21,129
91 to 180 days	16,133	20,811
Over 180 days	526	–
	109,056	113,711

13. TRADE AND OTHER PAYABLES

The trade and other payables included trade payables of approximately RMB14,922,000 as at 30 June 2018. The aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
0 to 30 days	10,437	10,815
31 to 60 days	1,539	4,460
61 to 90 days	667	399
91 to 180 days	1,674	643
181 to 365 days	289	423
Over 365 days	316	189
	14,922	16,929

14. COMMITMENTS

The Group has no significant capital commitments outstanding at 30 June 2018 and 31 December 2017.

At 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Within 1 year	673	673
In second to fifth years	280	617
	953	1,290

The Group leases a property under operating lease. This lease run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. This lease does not include contingent rentals.

15. CONTINGENT LIABILITIES

a. Acquisition of Yield Rise Limited

Pursuant to the acquisition agreement (the "Acquisition Agreement") made on or about 8 November 2010 between the Company and Make Success Limited ("Make Success"), as amended by a supplemental agreement on 31 March 2011, the Group agreed to acquire from Make Success 100% equity interests in Yield Rise Limited ("Yield Rise") at a consideration of HK$620,000,000, which is satisfied by (i) cash of HK$100,000,000; (ii) the issue of 236,363,636 consideration shares at the issue price of HK$0.55 per consideration share; (iii) 5% convertible bonds of HK$90,000,000; and (iv) 8% promissory note of HK$300,000,000.

In January 2012, the Group commenced litigation (the "HCA64/2012 Action") against Make Success to claim for the damages and rescission of the Acquisition Agreement for breach of the Acquisition Agreement, misrepresentation made by Make Success and repayment of consideration. The investment in Yield Rise Group, the promissory notes and convertible bonds were de-recognised in the Group's consolidated financial statements for the year ended 31 December 2011.

Subsequently, the Company entered into the settlement deed with Make Success and Yield Rise on 20 July 2018. Pursuant to the settlement deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the consideration shares shall be repurchased by the Company from Make Success; (iii) Make Success shall surrender and the Company shall cancel all the promissory notes; (iv) Make Success shall surrender and the Company shall cancel all the convertible bonds; (v) the Company shall transfer the shares in Yield Rise Limited to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement. The implementation of Settlement Deed is subject to the approval from the independent shareholders at the extraordinary general meeting.

b. Winding up petition against a subsidiary

Guangzhou Mayer Corporation Limited ("Guangzhou Mayer"), a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition.

c. Writs of summons against the Company

On 29 March 2012, writs of summons were issued by Capital Wealth Finance Company Limited and Capital Wealth Corporation Limited against the Company to claim the sum of HK$15,500,000 plus relevant legal costs incurred/to be incurred.

16. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these Interim Financial Statements, the Group had no other transactions and balances with its related parties during the period ended 30 June 2018.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefit	975	1,481
Retirement scheme contribution	7	8
	982	1,489

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 August 2018.

REVIEW OF RESULTS

For the six months ended 30 June 2018 (the "Period"), the Group reported consolidated revenue of approximately RMB194,387,000 representing an increase of 14.0% compare to same period last year's approximately RMB170,578,000. Gross profit margin was 10.8% compared to the same period of last year's 13.2%. Loss attributable to owners of the Company was approximately RMB4,688,000, compared with same period of last year's loss attributable to owners approximately RMB4,665,000. Loss per share for the Period was RMB0.51 cents versus same period of last year's loss per share RMB0.50 cents.

BUSINESS REVIEW

The management of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") has perfected the corporate governance system and internal governance manual based on the guidelines of the Company. All members of the board of directors of Guangzhou Mayer have undertaken to the Company that all operations strictly complied with the Listing Rules of Hong Kong, and that they managed Guangzhou Mayer in accordance with laws, and committed themselves to working together with the Company for the thorough audit on Guangzhou Mayer. The management of Guangzhou Mayer has taken legal proceedings and pursued claims against the former management of Guangzhou Mayer for their illegal behaviors, pending recovery of such respective losses.

Meanwhile, the management of Guangzhou Mayer has actively and effortfully commenced its work based on the policies, goals as well as the operation plans established by the Company. Regarding our business, sales and marketing strategies of products, channels, sales promotion and pricing were developed and enhanced to expand markets and marketing channels. Not only did the impact on exports brought by the trade frictions be overcome, there was also a boost in our sales, particularly for stainless steel products, for which direct sales channels were established and a great breakthrough in growth was achieved.

In terms of product research and development as well as innovative technology, we worked with Guangdong University of Technology and other institutions, and developed products such as automotive plates, motor vehicle pipe products and European standard stainless-steel piping materials and components, laying a foundation for providing enterprises with high value-added products and making the Company a national high-tech enterprise. Regarding quality management, under the guidance of experts in the automobile industry, we made holistic and thorough improvements and passed the IATF16949 certification of SGS, endorsing our business expansion in the automobile industry. Regarding production management, we fostered improvements in safety, cost and efficiency in an all-rounded manner, thereby securing personal and corporate safety, enhancing production efficiency and effectively reducing product costs. In terms of human resources management, we strengthened the selection and development of potential members to our management team and overcame the impact of staff turnover. We successfully introduced the knowledge and skills framework, or KSF in short, which is a comprehensive performance-based remuneration model to link performance with remuneration, thereby forming a positive incentive mechanism. In short, the continual endeavor made by the management of Guangzhou Mayer during the first half of 2018 has provided a good foundation of conditions for the corporate sustainability of the Company as well as the contribution to ensure the continuous expansion of our products and marketing in achieving the unanimous recognition from the local government and the industry in the Mainland.

PRODUCTION AND SALES

The revenue from indirect export sales of steel products in the PRC during the Period was approximately RMB43,190,000 representing a decrease of approximately 21.8% compared with approximately RMB55,214,000 for the same period of last year.

The revenue from domestic sales of steel products in the PRC during the Period was approximately RMB147,659,000, representing an increase of approximately 31.9% compared with the same period of last year's approximately RMB111,929,000.

The revenue from direct export sales of steel products outside the PRC during the Period was approximately RMB3,538,000 representing an increase of approximately 3.0% while it was approximately RMB3,435,000 for the same period of last year.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB20,992,000 for the Period, with a gross profit margin of approximately 10.8%, compared with the gross profit of approximately RMB22,574,000 and a gross profit margin of approximately 13.2% for the same period of last year. The decrease in gross profit was mainly attributable to the increase in material cost.

OPERATING EXPENSES

The total operating expenses of the Group for the Period were approximately RMB30,581,000 of which approximately RMB8,033,000 in distribution costs and RMB22,548,000 in administrative expenses, accounting for approximately 4.1% and 11.6% of revenue respectively while the amounts for the same period of last year were approximately RMB7,836,000 and RMB21,985,000 respectively, accounting for approximately 4.6%, 12.9% respectively.

FINANCE COSTS

During the Period, the Group incurred approximately RMB1,622,000 in finance costs, compared with approximately RMB1,374,000 for the same period of last year. The Group relied on borrowings to finance its trading activities, the increase in finance costs paid during the Period was mainly due to the increase in borrowing.

FINANCIAL RESOURCES AND TREASURY POLICIES

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

As at 30 June 2018, the Group had bank deposits and cash balances of approximately RMB23,680,000.

The Group had net current assets of approximately RMB97,235,000 as at 30 June 2018 as compared with approximately RMB110,162,000 as at 31 December 2017. The current ratio (current assets divided by current liabilities) changed to approximately 1.69 as at 30 June 2018 from approximately 1.97 as at 31 December 2017.

The Group had a total of approximately RMB45,417,000 borrowings from third parties to finance the Group's working capital purposes and capital expenditures.

The debt-to-equity ratio (total liabilities divided by total capital) as at 30 June 2018 was approximately 65.3% while it was approximately 56.9% as at 31 December 2017. Current portion of borrowings accounted for approximately 11.5% and 7.1% of the total assets of the Group as at 30 June 2018 and 31 December 2017, respectively.

CASH FLOW

For the Period, the Group generated net cash outflow of approximately RMB13,119,000 from its operating activities, mainly due to the increase in inventories. Net cash inflow of approximately RMB120,000 was from investing activities for the Period, mainly resulted from interest received. Net cash inflow of approximately RMB6,878,000 was from financing activities, mainly resulted from new borrowing. Banks deposits and cash balances as at 30 June 2018 amounted to approximately RMB23,680,000, mainly denominated in Renminbi ("RMB"), US dollars and HK dollars.

FOREIGN EXCHANGE EXPOSURES

As most of the Group's monetary assets and liabilities are denominated in RMB, US dollars and HK dollars and those currencies remained relatively stable during the 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 2018, no assets were pledged to banks for securing banking or other financing facilities granted to the Group.

CONTINGENT LIABILITIES

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

1. In January 2012, the Group commenced litigation against Make Success to claim for the damages and rescission of the Acquisition Agreement made on or about 8 November 2010 for breach of the Acquisition Agreement and misrepresentation made by them and repayment of consideration. The investment in Yield Rise Group, the promissory notes and convertible bonds were de-recognised in the Group's consolidated financial statements for the year ended 31 December 2011.

   Subsequently, the Company entered into the Settlement Deed with Make Success and Yield Rise on 20 July 2018. Pursuant to the Settlement Deed, (i) the Acquisition Agreement shall be rescinded and void from its inception; (ii) all the Consideration Shares shall be repurchased by the Company from Make Success (i.e. the Share Buy-backs); (iii) Make Success shall surrender and the Company shall cancel all the Promissory Notes; (iv) Make Success shall surrender and the Company shall cancel all the Convertible Bonds; (v) the Company shall transfer the shares in Yield Rise to Make Success; (vi) all the claims and/or counterclaims that each party has or may have against the other party under the HCA64/2012 Action shall be released and discharged absolutely; and (vii) the Company and Make Success shall discharge and release each other for any claims or liabilities whatsoever under the Acquisition Agreement. The implementation of Settlement Deed is subject to the approval from the independent shareholders at the extraordinary general meeting.

2. Guangzhou Mayer had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the "Intermediate Court") that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court has not decided the date for hearing of the said winding up petition.

3. On 29 March 2012, writs of summons were issued by Capital Wealth Finance Company Limited and Capital Wealth Corporation Limited against the Company to claim the sum of HK$15,500,000 plus relevant legal costs incurred/to be incurred.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2018, the Group had total of about 300 employees. Total staff costs for the Period were approximately RMB18,241,000, including retirement benefits cost of approximately RMB2,776,000. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motive employees and are reviewed on a periodic basis.

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

OUTLOOK

To a certain extent, the international trade tensions are currently curbing customer demand for exported steel products. However, the steel market of the PRC will remain in an orderly status with stable prices, under the influence of supply-side reform measures such as the government's continued crack-down on ground steel strips, stern strengthening of environmental protection, reduction in production capacity and anti-dumping. Meanwhile, with the constructions envisaged under "Belt and Road" and "Greater Bay Area" initiatives, the remarkable development of railway transportation and automobile industries as well as governmental austerity measures on the real estate sector, the total steel demand will maintain a trend of stable growth. With close proximity to the Southern China steel product market of domestic steel factories and the base of automobile manufacturing, the Group and Guangzhou Mayer operates steel cutting and steel pipe production that have what it takes to expand to the markets of steel materials and automobile industry in the PRC. Therefore, while leveraging on the foundation of our existing business, the Group will step up its efforts in exploring the markets of steel materials and automobile products in the PRC, to offset the impact from export. The stable domestic demand in the PRC will contribute positive development to the Group.

The global complex situation has had a hit on the PRC economy. Nonetheless, with expedited urbanization, enhanced living standard and the prevalence of the awareness of healthy water usage in the PRC, immediately after the promulgation by the Ministry of Housing and Construction of the "Standard of stainless steel pipes for drinking water", the municipal governments of Shenzhen, Changsha, Haimen, Leshan, Hangzhou and Shanghai and so forth successively issued papers concerning the comprehensive promotion of the application of stainless steel pipes. Therefore, it will be a prevailing trend of adopting stainless steel pipes in main water supply pipelines, resulting in a trend of rapid growth in the domestic demand for stainless steel pipes. The "Mayer" stainless steel piping materials and components operated by the Group is a prestigious brand in the PRC, which will have greater development along with the rapid growth of such market demand in the PRC.

Indeed, under the adverse effects such as trade frictions, instability of global economy, fluctuations in exchange rates, increased labour cost and price rise of other goods, the Group expects that the fluctuation in business volume and exchange rates and the gradual increase in operating costs will continue, and will potentially hamper the Group's overall profitability.

Moreover, the increasingly complicated economic environment and fierce market competition will expose the operation of the Group to various challenges. The Group, especially the management of Guangzhou Mayer, will remain committed to utilizing resources, seizing business opportunities, working on the existing businesses properly and exploring new businesses. The Group will continue to explore investment opportunities and seek for new profit growth points.

The management of the Group unanimously believes that with utilizing extensive experiences in the project research, market analysis and grasping, product research, development and sales, customer development and services, production operation and cost control, the Group can ensure the stability of its customer base and market share, enhance the competitiveness and additional value of its products, seek the best economic benefits, fully realize any investment opportunities which are beneficial for the long-term development of the Company and generate greater value for our investors.

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

During the Period, the Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies.

Interests and Short Positions of the Directors and Chief Executives of the Company

As at 30 June 2018, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name	*Note*	**Capacity and nature of interest**	**No. of ordinary shares held**	**Percentage of Company's issued share capitals**
Lee Kwok Leung	*(1)*	Interest of controlled corporation Beneficial owner	47,000,000	5.07%
Lin Jinhe	*(2)*	Interest of controlled corporation Beneficial owner	100,000,000	10.78%

Note 1: By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lee Kwok Leung, an executive Director ("Mr. Lee"), was deemed to be interested in 47,000,000 Shares, representing approximately 5.07% of the issued Shares, were sought to be recovered from the defendants of the legal action numbered HCA 686/2012. The legal action was petitioned by Capital Wealth Finance Company Limited, a licensed money lender under the Money Lenders Ordinance of Hong Kong ("Capital Finance"), which was wholly owned by Mr. Lee. On 24 August 2016, Capital Finance was ordered to be wound up by the Court of First Instance and the official receiver had been constituted provisional liquidator of the affairs of Capital Finance. As a result, the above-mentioned legal action of HCA 686/2012 was still pending at the date of this report.

Note 2: As at the date of this report, 100,000,000 Shares, representing approximately 10.78% of the issued Shares, were held by Bumper East Limited, a company wholly owned by Mr. Lin Jinhe who is an executive Director ("Mr. Lin"). By virtue of the Provisions 7 and 8 of Part XV of the SFO, Mr. Lin was deemed to be interested in the 100,000,000 Shares held by Bumper East Limited.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executives of the Company nor their respective associates, had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or deemed to have taken under such provisions), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange, and none of the directors or chief executives, or their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the period.

Substantial Shareholders

So far as the directors of the Company are aware, the person/entity (not being a director or a chief executive of the Company) who has interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part IV of the SFO, were as follows:

Long positions in the share capital of the Company

Name	*Note*	**Capacity and nature of interest**	**No. of ordinary shares held**	**Percentage of Company's issued share capitals**
Aspial Investment Limited	*(3)*	Beneficial owner	100,000,000	10.78%
Bumper East Limited	*(2)*	Beneficial owner	100,000,000	10.78%
Make Success Limited	*(4)*	Beneficial owner	236,363,636	25.48%
Valley Park Global Corporation	*(5)*	Beneficial owner	46,640,000	5.03%

Note 3: Aspial Investment Limited ("Aspial") is wholly owned by Mr. Chen Wei ("Mr. Chen"). By virtue of the SFO, Mr. Chen is deemed to be interested in the 100,000,000 Shares held by Aspial. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Aspial and Mr. Chen are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Note 4: Make Success is wholly owned by Mr. Zhang Xinyu ("Mr. Zhang"). By virtue of the SFO, Mr. Zhang is deemed to be interested in the 236,363,636 Shares held by Make Success. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. Zhang and Make Success are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Note 5: Valley Park Global Corporation ("Valley Park") is wholly owned by Mr. Liu Qiong ("Mr. Liu"). By virtue of the SFO, Mr. Liu is deemed to be interested in the 115,200,000 Shares held by Valley Park. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both Mr. Liu and Valley Park are independent third parties to the Group as defined under the Listing Rules and are also not a party acting in concert with any of the Shareholders.

Save as disclosed above, as at 30 June 2018, the directors of the Company are not aware of any other person/entity (not being a director or a chief executive of the Company) who has interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part IV of the SFO, or who is directly or indirectly interested in 10% or more of the shares of the Company or equity interest in any member of the Group representing 10% or more of the equity interest in such company.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules. Following specific enquiry by the Company, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the accounting period covered by the interim report.

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules as its Corporate Governance Practices. During the Period, the deviation to the CG Code are as follows:

The then code provision	Reason for the non-compliance and improvement actions took or to be taken
A.1.8	No insurance cover was arranged for the Period. The Company will arrange insurance cover immediately upon the resumption of trading of the Company's shares.
A.2.5	The Company was not in compliance with certain code provisions as set out in the CG Code for the Period. The existing Chairman has confirmed that he will take active action to improve and monitor the corporate governance practice of the Group.

A.4.2	No general meeting was held. Therefore, no Directors have been subject to retirement and re-election by the Shareholders at the general meeting. General meeting will be held in due course for the retirement and re-election of Directors.
E.1.1, E.1.2, E.1.3, E.2.1	No general meeting was held. General meeting of the Company will be arranged in due course.

Interim Dividends

No dividend was paid during the period of six months ended 30 June 2018. The directors do not recommend the payment of an interim dividend for the Period.

Directors' Right to Acquire Shares

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Purchase, Sale and Redemption of the Company's Listed Securities

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

Audit Committee

The audit committee of the Company (the "Audit Committee") assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee comprises independent non-executive directors of the Company; namely, Mr. Lau Kwok Hung (who is also the chairman of the Audit Committee), Mr. Ng Cheuk Lun and Mr. Deng Shimin. The interim results of the Company for the Period have been reviewed by the Audit Committee.

The unaudited interim financial statements for the Period have been reviewed by Audit Committee.