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美亞控股有限公司*
MAYER HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 01116)
(the "Company")

# ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

**FINANCIAL HIGHLIGHTS**

- Total revenue for the year decreased by 5.5% to approximately RMB367.1 million from 2016.
- Loss for the year was approximately RMB13.0 million (2016: Profit of approximately RMB19.7 million).
- The Gross profit for the year decreased by 17.8% to approximately RMB43.4 million and gross profit margin for the year decreased by 13.2% to 11.8% from 2016.
- The basic loss per share for the year ended 31 December 2017 was RMB1.57 cents (2016: basic earnings per share RMB1.60 cents).

The board of directors of the Company (the "Board") is pleased to present the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016.

* *For identification only*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2017*

| | *Notes* | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| **Revenue** | *3* | **367,107** | 388,678 |
| Cost of sales | | **(323,689)** | (335,848) |
| **Gross profit** | | **43,418** | 52,830 |
| Other income | | **15,635** | 22,460 |
| Other net (loss)/income | | **(2,234)** | 2,283 |
| Distribution costs | | **(17,667)** | (16,640) |
| Administrative expenses | | **(47,744)** | (33,191) |
| Other operating expenses | | **(1)** | (336) |
| **(Loss)/profit from operations** | | **(8,593)** | 27,406 |
| Impairment loss on amounts due from investee companies | | **(17)** | (181) |
| Finance costs | | **(3,531)** | (4,000) |
| **(Loss)/profit before tax** | | **(12,141)** | 23,225 |
| Income tax expense | *5* | **(900)** | (3,467) |
| **(Loss)/profit for the year** | *4* | **(13,041)** | 19,758 |
| **(Loss)/profit for the year attributable to:** | | | |
| Owners of the Company | | **(14,606)** | 14,825 |
| Non-controlling interests | | **1,565** | 4,933 |
| | | **(13,041)** | 19,758 |
| **(Loss)/earnings per share** | | | |
| Basic and diluted *(RMB cents)* | *7* | **(1.57)** | 1.60 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(Loss)/profit for the year** | **(13,041)** | 19,758 |
| **Other comprehensive income:** | | |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **8,497** | (7,641) |
| *Items that may not be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(4,418)** | 4,890 |
| Net movement in the investment revaluation reserve | **42,259** | – |
| **Other comprehensive income for the year, net of tax** | **46,338** | (2,751) |
| **Total comprehensive income for the year** | **33,297** | 17,007 |
| **Total comprehensive income for the year attributable to:** | | |
| Owners of the Company | **31,732** | 12,074 |
| Non-controlling interests | **1,565** | 4,933 |
| | **33,297** | 17,007 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **32,120** | 35,906 |
| Prepaid land lease payments | | **5,974** | 6,196 |
| Interest in joint ventures | | **–** | – |
| Available-for-sale financial assets | | **68,111** | 11,766 |
| Long term receivables | *8* | **50,000** | – |
| | | **156,205** | 53,868 |
| **Current assets** | | | |
| Inventories | | **51,520** | 47,359 |
| Trade and other receivables | *9* | **140,690** | 125,608 |
| Prepaid land lease payments | | **222** | 222 |
| Financial assets at fair value through profit or loss | | **–** | 721 |
| Current tax assets | | **276** | – |
| Cash and cash equivalents | | **31,317** | 142,379 |
| | | **224,025** | 316,289 |
| **Current liabilities** | | | |
| Trade and other payables | *10* | **86,941** | 87,087 |
| Current tax payable | | **–** | 1,071 |
| Borrowings | | **26,922** | 73,015 |
| | | **113,863** | 161,173 |
| **Net current assets** | | **110,162** | 155,116 |
| **Total assets less current liabilities** | | **266,367** | 208,984 |
| **Non-current liabilities** | | | |
| Long term borrowings | | **10,000** | – |
| Deferred tax liabilities | | **14,086** | – |
| | | **24,086** | – |
| **NET ASSETS** | | **242,281** | 208,984 |
| **Capital and reserves** | | | |
| Share capital | | **88,872** | 88,872 |
| Reserves | | **97,914** | 66,182 |
| Equity attributable to owners of the Company | | **186,786** | 155,054 |
| Non-controlling interests | | **55,495** | 53,930 |
| **TOTAL EQUITY** | | **242,281** | 208,984 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

### 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss which are carried at their fair values.

The Group incurred a loss of approximately RMB13,041,000 for the year ended 31 December 2017. Also, there are pending litigations and winding up petitions against the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis. The validity of which are based on the latest progress of the negotiation of settlement agreements in connection with the acquisition of Yield Rise Limited ("Yield Rise") and the legal advices on winding up petitions cause the directors of the Company (the "Directors") to believe that these litigations ultimately will not have significant impact to the financial position of the Group. Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

## 3. REVENUE AND 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 People Republic of China (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 available-for-sale financial assets and corporate assets. Segment liabilities include all liabilities including trade and other payables and borrowings managed directly by the segments with the exception of deferred tax liabilities and corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The accounting policies of the reportable segments are the same as the Group's accounting policies. 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, dividend income from financial assets at fair value through profit or loss, depreciation and amortisation, change in fair value of financial assets at fair value through profit or loss, net gain/loss on disposal of property, plant and equipment, impairment loss on trade and other receivables, reversal of impairment loss on trade and other receivables, write down of inventories, reversal of write down of inventories, income tax expenses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below:

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

| | **Steel – PRC**<br>*RMB'000* | **Investment**<br>*RMB'000* | **Total**<br>*RMB'000* |
|---|---|---|---|
| **Year ended 31 December 2017** | | | |
| Revenue from external customers | **367,107** | **–** | **367,107** |
| Segment profit/(loss) | **3,940** | **(108)** | **3,832** |
| Interest income | **378** | **–** | **378** |
| Interest expenses | **1,833** | **–** | **1,833** |
| Dividend income | **–** | **–** | **–** |
| Fair value loss on financial assets at fair value through profit or loss | **–** | **49** | **49** |
| Depreciation and amortisation | **4,589** | **–** | **4,589** |
| Net loss on disposal of property, plant and equipment | **14** | **–** | **14** |
| Impairment loss on trade and other receivables | **176** | **–** | **176** |
| Write down of inventories | **–** | **–** | **–** |
| Reversal of impairment loss on trade and other receivables | **–** | **–** | **–** |
| Reversal of write down of inventories | **–** | **–** | **–** |
| Income tax expense | **861** | **39** | **900** |
| Segment assets | **309,951** | **19** | **309,970** |
| Segment liabilities | **48,968** | **204** | **49,172** |
| Interests in joint ventures | **–** | **–** | **–** |
| Additions to non-current assets | **606** | **–** | **606** |

| | Steel – PRC<br>*RMB'000* | Investment<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|
| Year ended 31 December 2016 | | | |
| Revenue from external customers | 388,678 | – | 388,678 |
| Segment profit | 18,341 | 545 | 18,886 |
| Interest income | 1,136 | 24 | 1,160 |
| Interest expenses | 1,651 | – | 1,651 |
| Dividend income | – | 28 | 28 |
| Fair value gain on financial assets at fair value through profit or loss | – | 2,166 | 2,166 |
| Depreciation and amortisation | 5,447 | – | 5,447 |
| Net loss on disposal of property, plant and equipment | 42 | – | 42 |
| Impairment loss on trade and other receivables | – | – | – |
| Write down of inventories | – | – | – |
| Reversal of impairment loss on trade and other receivables | 281 | – | 281 |
| Reversal of write down of inventories | 574 | – | 574 |
| Income tax expense | 3,296 | 171 | 3,467 |
| Segment assets | 355,991 | 1,212 | 357,203 |
| Segment liabilities | 113,423 | 328 | 113,751 |
| Interests in joint ventures | – | – | – |
| Additions to non-current assets | 2,536 | – | 2,536 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit or loss:** | | |
| Total profit of reportable segments | **3,832** | 18,886 |
| Finance cost | **(3,531)** | (4,000) |
| Dividend income | **7,482** | 13,772 |
| Corporate and unallocated profit or loss | **(19,924)** | (5,433) |
| Consolidated (loss)/profit before taxation for the year | **(12,141)** | 23,225 |
| **Assets:** | | |
| Total assets of reportable segments | **309,970** | 357,203 |
| Corporate and unallocated assets: | | |
| – Available-for-sale financial assets | **68,111** | 11,766 |
| – Others | **2,149** | 1,188 |
| Consolidated total assets | **380,230** | 370,157 |
| **Liabilities:** | | |
| Total liabilities of reportable segments | **49,172** | 113,751 |
| Deferred tax liabilities | **14,086** | – |
| Corporate and unallocated liabilities | **74,691** | 47,422 |
| Consolidated total liabilities | **137,949** | 161,173 |

**Geographical information:**

Over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical information is disclosed.

**Revenue from major customers:**

No customers individually contributed more than 10% of the total consolidated revenue of the Group for the years ended 31 December 2017 and 2016.

## 4. (LOSS)/PROFIT FOR THE YEAR

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | | |
| – audit services | **683** | 571 |
| – other services | **128** | 128 |
| Cost of inventories sold | **323,689** | 335,848 |
| Depreciation | **4,367** | 5,318 |
| Amortisation of prepaid lease payments | **222** | 222 |
| Net exchange loss | **1,995** | 122 |
| Operating lease charges in respect of land and buildings | **595** | 586 |
| Net loss on disposal of property, plant and equipment | **14** | 42 |
| Staff costs including directors' emoluments | | |
| – Salaries, bonus and allowances | **38,503** | 36,021 |
| – Retirement benefits scheme contributions | **5,914** | 6,309 |
| | **44,417** | 42,330 |

## 5. INCOME TAX EXPENSE

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| PRC corporation income tax | **861** | 3,298 |
| Hong Kong profits tax | **39** | 169 |
| | **900** | 3,467 |

Hong Kong Profits Tax is provided at 16.5% based on the assessable profit for the year.

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% (2016: 25%) during the year.

## 6. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2017 and 2016.

## 7. (LOSS)/EARNINGS PER SHARE

**Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB14,606,000 (2016: profit of approximately RMB14,825,000) and the weighted average number of 927,564,000 ordinary shares (2016: 927,564,000 ordinary shares) in issue during the year.

**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 both years.

## 8. LONG TERM RECEIVABLES

The amounts are deposited in certain investment companies that is unsecured, interest bearing with effective interest rates ranged from 9.5% to 10.5% and repayable in January 2020.

## 9. TRADE AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **115,776** | 113,340 |
| Less: allowance for doubtful debts | **(2,065)** | (1,907) |
| | **113,711** | 111,433 |
| Bills receivables | **3,368** | 5,855 |
| Other receivable | **1,682** | 780 |
| Prepayment and other deposit | **21,929** | 7,540 |
| | **140,690** | 125,608 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **36,885** | 39,012 |
| 31 to 60 days | **34,886** | 39,623 |
| 61 to 90 days | **21,129** | 19,696 |
| 91 to 180 days | **20,811** | 13,102 |
| | **113,711** | 111,433 |

## 10. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **16,929** | 15,041 |
| Bill payables | **–** | 1,533 |
| Other payable | **57,485** | 56,870 |
| Dividend payable | **536** | 576 |
| Receipts in advance | **11,991** | 13,067 |
| | **86,941** | 87,087 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **10,815** | 12,975 |
| 31 to 60 days | **4,460** | 1,638 |
| 61 to 90 days | **399** | 175 |
| 91 to 180 days | **643** | 78 |
| 181 to 365 days | **423** | 105 |
| Over 365 days | **189** | 70 |
| | **16,929** | 15,041 |

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### 1 Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our auditor's report dated 9 April 2018.

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

### 2 Limited accounting books and records of the Group

As we were appointed as auditors of the Company subsequent to the year ended 31 December 2016, we were unable to attend the physical count of inventories of Guangzhou Mayer Corporation Limited ("Guangzhou Mayer") as at 31 December 2016. In addition to the insufficiency of supporting documentation and explanations for accounting books and records in respect of Guangzhou Mayer for the year ended 31 December 2015, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2016 and 2017, the assets and liabilities as at 31 December 2016, and the segment information and other related disclosure notes in relation to the Group, 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 expenses for the years ended 31 December:*

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of goods sold | **323,689** | 300,290 |
| Depreciation | **–** | 818 |

*Assets and liabilities as at 31 December:*

| | 2016 |
|---|---|
| | *RMB'000* |
| **Non-current assets** | |
| Property, plant and equipment | 5,464 |
| **Current assets** | |
| Inventories | 6,418 |
| | 11,882 |

## 3 Unconsolidation of Yield Rise Limited

Due to the dispute between Make Success Limited ("Make Success") and the Company in connection with the acquisition of Yield Rise Limited and its subsidiaries ("Yield Rise Group"), the financial statements of Yield Rise Group have not been consolidated in the Group's consolidated financial statements for the years ended 31 December 2017 and 2016. In addition, the promissory notes and convertible bonds issued for the acquisition were not recognised in the consolidated financial statements.

Under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" ("HKFRS 10"), the Company should consolidate Yield Rise Group if the Company has power to control Yield Rise Group to affect the return from them. We have not been able to obtain sufficient appropriate audit evidence to assess (i) whether the Company has control over Yield Rise Group; and (ii) the validity of the promissory notes and convertible notes. We are unable to determine whether there is an departure from HKFRS 10 and the promissory notes and convertible notes as mentioned in note 35(a) should be recognised in the Group's consolidated financial statements.

4 **Available-for-sale financial assets**

The investment in 29.85% equity interest in Vietnam Mayer Company Limited ("Vietnam Mayer") is recognised as available-for-sale financial assets. We have not been able to obtain sufficient appropriate audit evidence to assess whether the Group has significant influence in Vietnam Mayer during the years ended 31 December 2017 and 2016. Therefore, we are unable to determine whether (i) Vietnam Mayer should be recognised as an associate and accounted for using equity method of accounting up to the date the Group ceased to have significant influence over Vietnam Mayer and any gain or loss should be recognised on deemed disposal as at that date; and (ii) the dividend income from Vietnam Mayer of approximately RMB7,482,000 and RMB13,772,000 should be charged to consolidated profit or loss for the years ended 31 December 2017 and 2016 respectively. In addition, we have not been able to obtain sufficient appropriate audit evidence as to the accuracy of its carrying amount of RMB11,766,000 as at 31 December 2016.

5 **Long term receivable**

We have not yet obtained sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the long term receivables of approximately RMB50 million as at 31 December 2017. There are no other satisfactory audit procedures that we could adopt to determine whether any allowance for non-recovery of the amounts should be made in the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 5 above might have significant consequential effects on the Group's results and cash flows for the years ended 31 December 2017 and 2016 and the financial position of the Group as at 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

## MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

We draw attention to note 2 to the financial statements which mentions that the Group incurred a loss of approximately RMB13,041,000 for the year ended 31 December 2017. Furthermore, there are pending litigations and winding up petitions against the Group. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF RESULTS

For the year ended 31 December 2017, the Group reported consolidated revenue of approximately RMB367,107,000 representing a decrease of 5.5% over last year. Gross profit margin was 11.8% compared to last year's 13.6%. Loss attributable to owners of the Company was approximately RMB14,606,000, compared with last year's profit of approximately RMB14,825,000. Loss per share for the year was RMB1.57 cents versus last year profit per share RMB1.60 cents.

## BUSINESS REVIEW

The primary focus for the management of the Group in 2017 is the formulation of internal governance manual for the Company, optimization of rules and procedures of the Company, and resumption of audit system which has been suspended for years. The management has also conducted a comprehensive review on the Group's historical accounts and operations, cooperated with regulatory authorities to carry out investigations to properly address all legal proceedings against the Group and the Company, and commenced legal actions against the former management in relation to their illegal acts. Complying with the guidelines of the regulatory authorities, the management will cooperate with the professional advisory team, complete and optimize all the works necessary for the resumption of trading of the Company's shares in a legal way.

At the same time, the Company's management team continues to cooperate with the central authorities based in Hong Kong and administrative authorities in the PRC, and negotiate repeatedly with relevant regulatory authorities of the PRC in order to commence a series of legal proceedings against the former management of Guangzhou Mayer, which was led by Lo Haw. Under the supervision and assistance of the central government, the Company had successfully prevented any further illegal actions that may be done by former management, appointed new management of Guangzhou Mayer and resumed the complete, original articles of association of Guangzhou Mayer. The Company reviewed comprehensively the historical operation record of Guangzhou Mayer and discovered that the former management, which was led by Lo Haw, had deliberately violated the article of association and illegally amended the articles of association without notifying the general meeting. The former management refused the statutory control from the Company, annual audit on Guangzhou Mayer, convening annual general meeting, and hollowed out the power of general meeting. After reorganizing of the board of directors of Guangzhou Mayer without formal permission, the former management transferred the assets of the company, which was amounted to more than RMB 70 million, away at their will for illegal investments and expenditures, hence seriously damaged and violated the interests of the Group and the shareholders of Guangzhou Mayer.

After replacement of former management of Guangzhou Mayer, the new management has formulated 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 guaranteed the Company that, all the operations and their behaviors are under strict compliance with the Listing Rules of Hong Kong, and that they will manage Guangzhou Mayer in accordance with laws, and commit themselves to working together with the Company for the comprehensive audit on Guangzhou Mayer. The new management of Guangzhou Mayer has quickly submitted the audit reports for various years to the Company, and actively cooperated the audit works for the previous seven years (including Year 2017) conducted by the Company. The new management of Guangzhou Mayer has taken legal actions against the former management, which was led by Lo Haw, for their illegal behaviors, and handed over the relevant criminal cases to the public security bureau for further investigation. For those civil cases, Guangzhou Mayer has taken legal proceedings and pursued claims against the relevant individuals and parties, so that Guangzhou Mayer has recovered losses of more than RMB 10 million. Moreover, the new management of Guangzhou Mayer worked day and night to quickly resume the production and operation of Guangzhou Mayer, formulated the operation plan for 2018, and organized the industrial hearing. As a result, Guangzhou Mayer has resumed normal operation situation within a very short period of time, leading to continuous expansion in its production and marketing, as well as contribution to the harmony of the society as supported and recognized by the local government.

## PRODUCTION AND SALES

The revenue from indirect export sales of steel products in the PRC during the year was approximately RMB95,277,000, representing decrease of approximately 21.1% compared with approximately RMB120,699,000 for the last year. The revenue from domestic sales of steel products in the PRC during the year was approximately RMB263,459,000, representing a increase of approximately 1.7% compared with approximately RMB259,028,000, for the last year. The revenue from direct export sales of steel products outside the PRC and Vietnam during the year was approximately RMB8,371,000 representing a decrease of approximately 6.5% while it was approximately RMB8,951,000 for the last year.

## GROSS PROFIT

The Group recorded a gross profit of approximately RMB43,418,000 for the year, with a gross profit margin of approximately 11.8%, compared with the gross profit of approximately RMB52,830,000 and a gross profit margin of approximately 13.6% for the last year.

This was mainly attributable to the increase in the material cost for the year of 2017.

## OPERATING EXPENSES

The total operating expenses of the Group for the year were approximately RMB65,412,000, of which approximately RMB17,667,000 in distribution costs, RMB47,744,000 in administrative expenses and RMB1,000 in other operating expenses, accounting for approximately 4.8%, 13.0% and 0.1% of revenue respectively while the amounts for the last year were approximately RMB16,640,000, RMB33,191,000 and RMB336,000 respectively, accounting for approximately 4.3%, 8.5% and 0.1% respectively. The increase in operating expenses was mainly attributable to the increase in legal and professional fees for the year 2017.

## FINANCE COSTS

During the year, the Group's incurred approximately RMB3,531,000 in finance costs, compared with approximately RMB4,000,000 for the last year. The Group relied on borrowings to finance its trading activities and working capital, the decrease in finance costs paid during the year was mainly due to the settlement of bank borrowings.

## 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 31 December 2017, the Group had bank deposits and cash balances of approximately RMB31,317,000.

The Group had net current assets of approximately RMB110,162,000 as at 31 December 2017 as compared with approximately RMB155,116,000 as at 31 December 2016. The current ratio (current assets divided by current liabilities) changed to approximately 1.97 as at 31 December 2017 from 1.96 as at 31 December 2016.

The Group had a total of approximately RMB36,922,000 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 31 December 2017 was approximately 56.9% while it was 77.1% as at 31 December 2016. Current portion of borrowings accounted for approximately 7.1% and 19.7% of the total assets of the Group as at 31 December 2017 and 31 December 2016, respectively.

## CASH FLOW

For the year, the Group generated net cash outflow of approximately RMB32,768,000 from its operating activities, as compared to net cash inflow of approximately RMB21,242,000 for the last year. The increase in net cash outflow from operating activities was primarily due to the increase in trade receivables and other receivables and the operating loss. Net cash outflow of approximately RMB42,735,000 was from investing activities for the year, mainly due to the increase in long term receivables. Net cash outflow of approximately RMB37,465,000 was from financing activities, mainly resulted from the settlement of bank borrowings. Banks deposits and cash balances as at 31 December 2017 amounted to approximately RMB31,317,000, 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 year, the Group was not exposed to any significant foreign exchange risk. In general, it is the Group's policy for each operating entity to borrow in local currencies, where necessary, to minimize currency risk.

## CHARGE ON GROUP ASSETS

As at 31 December 2017, approximately RMB31 million assets were pledged to third parties for securing the borrowings granted to the Group.

## CONTINGENT LIABILITIES

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

1. In January 2012, the Group commenced litigation against Make Success and certain parties (the "Defendants") involved in the acquisition of Yield Rise to claim for the damages and rescission of the agreement for breach of the agreement and misrepresentation made by them and repayment of consideration. The Group is negotiating with the Defendants for the settlement of the claims and proposes to enter a settlement deed with Make Success to resolve the matter of Yield Rise. Pursuant to the draft settlement deed, the Agreement shall be rescinded. Make Success shall (i) return the consideration shares to the Company and (ii) surrender the promissory notes and convertible bonds. The Company shall return the shares in Yield Rise to Make Success. Therefore, the Directors consider that the investment in Yield Rise Group, the promissory notes and convertible bonds were not recognised in the consolidated financial statements.

   The Company is finalising the settlement deed and therefore, the directors are in the opinion that the outcome of the litigation will not have significant impact on the Group's financial position.

2. On 4 August 2014, Mr. Lai Yueh-Hsing, a former Director, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands ("Grant Court") to demand for the repayment of loan of HK$11,030,000 due to him. The Group acknowledged the loan was owing to him. On 7 November 2014 and judgment was handed down by Grant Court to dismiss the petition. Subsequently an appeal against the decision of the Grant Court was filed by Mr. Lai Yueh-Hsing. On 19 October 2017, the Company filed an application to strike out the appeal to the Cayman Islands Court of Appeal. The hearing of the Cayman Islands Court of Appeal was held on 15 November 2017 and order that both the appeal filed by Mr. Lai Yueh-Hsing and the Company be dismissed. Therefore, it is the opinion of the Directors that the outcome will not have a material impact on the Group's financial position.

3. 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. According to legal advice, the winding up petition against Guangzhou Mayer do not meet the conditions required by the relevant laws. The Directors believe that the application of the winding up petition will be strike out by Intermediate Court.

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

## EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2017, the Group had total of 336 employees. Total staff costs for the year ended 31 December 2017 were approximately RMB44,417,000, including retirement benefits cost of approximately RMB5,914,000. 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

The capacity of steel factories will be under further control as the total demand and supply from the steel market of the PRC for the year 2018 will be affected by the sustained effort from both the central and local governments against the "sub-standard steel", as well as strict compliance on policies in relation to the improvement on environmental friendliness and reduction of capacity. On one hand, there will be growth in steel demand due to construction based on the "Belt and Road" policy and strong development in railway transportation and automobile industries. On the other hand, suffering from reduced growth in investment on real estate industry, the overall steel demand for the year in the PRC could only maintain a trend of stable growth. In short, the steel cutting and steel pipe production operated by the Group are in the supply side of the steel industry. As the market demand of such aspects in the PRC remains strong, there may be further development on both operations.

The growth for overall GDP of the PRC for the year 2018 is expected to be around 6.5%. As there is continuous improvement of living standard in the PRC, both the central and local governments strongly promote the application of stainless steel water pipes. The PRC Ministry of Housing and Construction has promulgated a number of favorable policies such as "Standard of stainless steel pipes for drinking water", while the local water supply companies have correspondingly formulated the proposal for the reform of water pipe network. Stainless steel pipes will be adopted in the main water supply pipelines, leading to the trend of rapid growth in the domestic demand of stainless steel pipes. The stainless steel pipes and fittings business operated by Guangzhou Mayer, a company located in the developed market in the South China, could enjoy a better development along with the rapid growth of market in this aspect in the PRC , while the steel cutting business will be under great development potential benefitting from local development.

On the contrary, under adverse effects such as weak global economy, weak US dollars, increasing labour costs in the PRC and inflation of other goods, the Group expects that the fluctuation of exchange rates and gradual increase in operating costs will continue in 2018, and it is without doubt that the Group's overall profitability may be adversely affected. Moreover, the operation of the Group is facing various challenges due to the increasingly fierce market competition. In spite of the difficulties, the Group, especially the new management of Guangzhou Mayer, will continue to strive to seize business opportunities of the PRC market, develop the existing businesses properly and actively explore new businesses. The Group will also continue to explore opportunities in equity investment, seize the potential growth and aim for balanced development.

The management of the Company unanimously believes that with utilizing extensive experiences in marketing, product research and development, customer development and services, production operation and cost control, the Group can 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.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee comprises independent non-executive Directors; namely, Mr. Lau Kwok Hung (who is also the chairman of the Audit Committee), Mr. Ng Cheuk Lun and Mr. Deng Shimin. The annual results of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. The Board is of the view that, for the year ended 31 December 2017, the Company complied with the code provisions on the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), save for the deviations below:

The Company was not in compliance with the following code provisions:

| 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 Financial Year. 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 Financial Year. 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 during the Financial Year. 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. |
| C.1.5 | Due to change of auditor, there were no annual and interim results of the Group for the Financial Year presented to regular Board meetings for approval. |
| E.1.1, E.1.2, E.1.3, E.2.1 | No general meeting was held during the Financial Year. General meeting of the Company will be arranged in due course. |

## INTERNAL CONTROL

*Compliance with the Model Code for Directors' Securities Transactions*

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2017. The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by the relevant employees of the Group, who are likely to be in possession of inside information of the Company.

*Purchase, Sale or Redemption of the Company's Listed Securities*

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF THE 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2017 will be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.mayer.com.hk in due course.

## CONTINUED SUSPENSION OF THE TRADING IN THE SHARES OF THE COMPANY

Trading in the shares of the Company (the "Shares") on the Stock Exchange has been suspended from 9:00 a.m. on 9 January 2012. The Stock Exchange has placed the Company in the third delisting stage under the Practice Notice 17 to the Listing Rules on 14 June 2017. If the Company does not submit a viable resumption proposal to the Stock Exchange by the end of the third delisting stage (that is, 13 December 2017), the Company's listing status will be cancelled. The Company has engaged legal consultants and a financial adviser to address the matters in respect of the resumption of the trading of the Shares on the Stock Exchange.

Up till the date of this results announcement, the trading in the Shares will continue to be suspended until further notice.

## REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary results announcement.

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

Hong Kong, 30 April 2018

*As at the date hereof, the Board comprises three executive directors; namely, Mr. Lee Kwok Leung, Mr. Xu Lidi and Mr. Lin Jinhe; one non-executive director; namely, Mr. Wang Dongqi; and three independent non-executive directors; namely, Mr. Lau Kwok Hung, Mr. Ng Cheuk Lun and Mr. Deng Shimin.*