



美亞控股有限公司*

MAYER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1116)

Interim Report 2014

* For identification purposes only

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Condensed Consolidated Statement of Profit or Loss*For the six months ended 30 June 2014*

		Six months ended 30 June	
	<i>Notes</i>	2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	258,053	267,714
Cost of sales		<u>(235,175)</u>	<u>(244,383)</u>
Gross profit		22,878	23,331
Other income		6,258	4,761
Other net (loss)/income		(225)	396
Distribution costs		(8,889)	(7,425)
Administrative expenses		(14,318)	(16,460)
Other operating expenses		<u>(278)</u>	<u>(20)</u>
Profit from operations		5,426	4,583
Finance costs		(1,856)	(2,281)
Impairment loss on a joint venture		<u>–</u>	<u>(358)</u>
Profit before tax		3,570	1,944
Income tax expense	6	<u>–</u>	<u>–</u>
Profit for the period	7	<u><u>3,570</u></u>	<u><u>1,944</u></u>
Profit for the period attributable to:			
Owners of the Company		2,178	234
Non-controlling interests		<u>1,392</u>	<u>1,710</u>
		<u><u>3,570</u></u>	<u><u>1,944</u></u>
Earnings per share	9		
Basic and diluted (RMB cents)		<u><u>0.23</u></u>	<u><u>0.03</u></u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	3,570	1,944
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(3,059)	3,072
<i>Items that may not be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	2,278	(1,655)
Other comprehensive income for the period, net of tax	(781)	1,417
Total comprehensive income for the period	2,789	3,361
Total comprehensive income for the period attributable to:		
Owners of the Company	1,397	1,651
Non-controlling interests	1,392	1,710
	2,789	3,361

Condensed Consolidated Statement of Financial Position

At 30 June 2014

		30 June 2014	31 December 2013
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	44,379	46,371
Prepaid land lease payments		6,751	6,862
Interest in a joint venture		–	182
Available-for-sale financial assets		11,766	11,766
		<u>62,896</u>	<u>65,181</u>
Current assets			
Inventories		65,826	63,385
Trade and other receivables	11	176,089	170,832
Prepaid land lease payments		222	222
Amounts due from joint ventures		–	174
Cash and cash equivalents		39,829	46,140
		<u>281,966</u>	<u>280,753</u>
Current liabilities			
Trade and other payables	12	47,895	30,606
Amount due to a director		8,866	6,331
Borrowings		69,163	92,848
		<u>125,924</u>	<u>129,785</u>
Net current assets		<u>156,042</u>	<u>150,968</u>
Total assets less current liabilities		<u>218,938</u>	<u>216,149</u>
NET ASSETS		<u><u>218,938</u></u>	<u><u>216,149</u></u>
Capital and reserves			
Share capital		88,872	88,872
Reserves		79,713	78,316
		<u>168,585</u>	<u>167,188</u>
Equity attributable to owners of the Company		168,585	167,188
Non-controlling interests		50,353	48,961
		<u>218,938</u>	<u>216,149</u>
TOTAL EQUITY		<u><u>218,938</u></u>	<u><u>216,149</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Statutory surplus reserve	Statutory public welfare fund	Foreign currency translation reserve	Retained profits/ losses (accumulated)	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
At 1 January 2013 (Audited)	88,872	196,113	67,570	22,076	4,950	(21,443)	(194,727)	163,411	45,412	208,823
Total comprehensive income for the year (Unaudited)	-	-	-	-	-	1,417	234	1,651	1,710	3,361
At 30 June 2013 (Unaudited)	<u>88,872</u>	<u>196,113</u>	<u>67,570</u>	<u>22,076</u>	<u>4,950</u>	<u>(20,026)</u>	<u>(194,493)</u>	<u>165,062</u>	<u>47,122</u>	<u>212,184</u>
At 1 January 2014 (Audited)	88,872	196,113	67,570	23,651	4,950	(21,267)	(192,701)	167,188	48,961	216,149
Total comprehensive income for the year (Unaudited)	-	-	-	-	-	(781)	2,178	1,397	1,392	2,789
At 30 June 2014 (Unaudited)	<u>88,872</u>	<u>196,113</u>	<u>67,570</u>	<u>23,651</u>	<u>4,950</u>	<u>(22,048)</u>	<u>(190,523)</u>	<u>168,585</u>	<u>50,353</u>	<u>218,938</u>

Condensed Consolidated Statement of Cash Flows*For the six months ended 30 June 2014*

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	21,544	7,406
Net cash (used in)/generated from investing activities	(1,515)	276
Net cash used in financing activities	<u>(25,541)</u>	<u>(18,066)</u>
Net decrease in cash and cash equivalents	(5,512)	(10,384)
Cash and cash equivalents at beginning of period	46,140	47,142
Effect of changes in foreign exchange rate	<u>(799)</u>	<u>1,483</u>
Cash and cash equivalents at end of period	<u>39,829</u>	<u>38,241</u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u>39,829</u>	<u>38,241</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

1. GENERAL INFORMATION

Mayer Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in Cayman Islands and its registered office is PO Box 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 2014 are investment holdings and manufacturing of steel pipes and other products.

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 2013 (“2013 Annual Report”).

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of 2013 Annual Report of the Group.

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 2016. 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.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

4. SEGMENT INFORMATION

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

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".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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:

	Steel – PRC <i>RMB'000</i>	Investment <i>RMB'000</i>	Total <i>RMB'000</i>
Period ended 30 June 2014 (Unaudited)			
Revenue from external customers	258,053	–	258,053
Segment profit	<u>9,341</u>	<u>–</u>	<u>9,341</u>
At 30 June 2014 (Unaudited)			
Segment assets	330,333	–	330,333
Segment liabilities	<u>107,001</u>	<u>–</u>	<u>107,001</u>
	Steel – PRC <i>RMB'000</i>	Investment <i>RMB'000</i>	Total <i>RMB'000</i>
Period ended 30 June 2013 (Unaudited)			
Revenue from external customers	267,714	–	267,714
Segment profit/(loss)	<u>11,475</u>	<u>(2)</u>	<u>11,473</u>
At 31 December 2013 (Audited)			
Segment assets	331,160	–	331,160
Segment liabilities	<u>115,313</u>	<u>–</u>	<u>115,313</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

Reconciliations of reportable segment profit or loss:

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit or loss:		
Total profit of reportable segments	9,341	11,473
Finance cost	(1,856)	(2,281)
Corporate and unallocated profit or loss	<u>(3,915)</u>	<u>(7,248)</u>
Consolidated profit before taxation for the period	<u><u>3,570</u></u>	<u><u>1,944</u></u>
	At	At
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Assets:		
Total assets of reportable segments	330,333	331,160
Corporate and unallocated assets:		
– Available-for-sale financial assets	11,766	11,766
– Others	<u>2,763</u>	<u>3,008</u>
Consolidated total assets	<u><u>344,862</u></u>	<u><u>345,934</u></u>
Liabilities:		
Total liabilities of reportable segments	107,001	115,313
Corporate and unallocated liabilities	<u>18,923</u>	<u>14,472</u>
Consolidated total liabilities	<u><u>125,924</u></u>	<u><u>129,785</u></u>

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

5. REVENUE

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of steel pipes, steel sheet and other products made of steel	258,053	267,714

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong (six months ended 30 June 2013: Nil).

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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	235,175	244,383
Depreciation	3,771	3,422
Amortisation of prepaid lease payments	111	111
Net exchange losses/(gain)	224	(405)
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	9,265	8,111
– Retirement benefits scheme contributions	1,744	1,638
	11,009	9,749

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

8. INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB2,178,000 (2013: approximately RMB234,000) and the weighted average number of 927,564,000 ordinary shares (2013: 927,564,000 ordinary shares) in issue during the period.

Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, property, plant and equipment of approximately RMB1,808,000 was acquired by the Group (six months ended 30 June 2013: approximately RMB1,413,000).

11. TRADE AND OTHER RECEIVABLES

The trade and other receivable included trade receivables of approximately RMB162,291,000 as at 30 June 2014. The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 30 days	42,673	43,511
31 to 60 days	43,510	50,368
61 to 90 days	43,182	40,289
91 to 180 days	29,898	32,579
Over 180 days	3,028	193
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	162,291	166,939
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

12. TRADE AND OTHER PAYABLES

The trade and other payables included trade payables of approximately RMB13,682,000 as at 30 June 2014. The aging analysis of the trade payables, based on the date of receipt of goods, is as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0 to 30 days	10,944	6,186
31 to 60 days	1,756	2,009
61 to 90 days	658	699
91 to 180 days	34	–
181 to 365 days	254	–
Over 365 days	36	350
	<u>13,682</u>	<u>9,244</u>

13. COMMITMENTS

The Group has no significant capital commitments outstanding at 30 June 2014 and 31 December 2013.

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2014	31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	728	727
In second to fifth years	364	727
	<u>1,092</u>	<u>1,454</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14. CONTINGENT LIABILITIES

a. Acquisition of Yield Rise

Pursuant to the sale and purchase agreement (the "Agreement") made on or about 8 November 2010 between the Company and Make Success Limited ("Make Success"), an independent third party, 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 (the "Consideration"). Yield Rise holds 87.5% equity interests in Best Wonder Holdings Limited, which in turn holds 100% equity interests in Good Wishes Investment Limited ("Good Wishes") and Good Wishes in turn holds 80% equity interests in Dan Tien Port Development Joint Venture Co, Limited ("Dan Tien"). Dan Tien is a foreign invested limited liability company established under the laws of Vietnam on 3 June 2003. Dan Tien is principally engaged in the development of property, port and relevant logistic business in Vietnam. The acquisition was completed on 9 May 2011.

The fair value of consideration paid was as follows:

	<i>RMB'000</i>
Deposit for acquisition of equity interest in a company paid in last year	62,293
Cash consideration	20,489
Issue of consideration shares	89,026
Promissory notes	258,145
Convertible bonds	71,499
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	501,452
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Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

In November 2011, the Group became aware of problem about the acquisition when the local management was reluctant to provide the Group financial information of Dan Tien and there was conflicting version of the development progress of the port. Therefore, the Group started investigating the acquisition. Through various investigations, the Group noted that there were false information and documents provided by or through Make Success in relation to the acquisition of Yield Rise. In January 2012, the Group commenced litigation against Make Success and certain parties involved in the acquisition (the “Defendants”) 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 it is appropriate to de-recognise the investment in Yield Rise Group, the promissory notes and convertible bonds. Resulting a loss on derecognition of RMB172,343,000 was recognised in consolidated profit or loss for the year ended 31 December 2011.

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.

b. Winding up petition

On 4 August 2014, Mr. Lai Yueh-Hsing, a former director of the Company, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands (“Grant Court”) 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

c. Winding up petition against a subsidiary

Guangzhou Mayer, a subsidiary of the Company, had received a notice dated 6 December 2017 from the Intermediate Court of Guangzhou Municipality, Guangdong Province (the “Intermediate Court”) that the Intermediate Court had received the application of the winding up petition against Guangzhou Mayer filed by Wealth & Health Investments Limited and Taishun Industrial (Inner Mongolia) Food Co., Limited. The Intermediate Court 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.

d. Writs of summons against the Company

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

15. 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 2014.

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

	Six months ended 30 June	
	2014	2013
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefit	1,501	1,886
Retirement scheme contribution	6	12
	<u>1,507</u>	<u>1,898</u>

REVIEW OF RESULTS

For the six months ended 30 June 2014 (the “Period”), Mayer Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) reported consolidated revenue of approximately RMB258,053,000 representing a decrease of 3.6% compare to same period last year’s approximately RMB267,714,000. Gross profit margin was 8.9% compared to the same period of last year’s 8.7%. Profit attributable to owners of the Company was approximately RMB2,178,000, compared with same period of last year’s approximately RMB234,000. Earnings per share for the period was RMB0.23 cents versus same period of last year’s RMB0.03 cents.

BUSINESS REVIEW

The primary business focus for the new management of the Company in the half-year period of review is the removal of the former Directors, the appointments of new Directors and to publish all outstanding financial results. The Company had found that the local management of Guangzhou Mayer Corporation Limited (“Guangzhou Mayer”) might have used forgery documents in connection with the 2013 shareholders’ meeting of Guangzhou Mayer on 20 December 2013. Therefore, the Company is seeking further legal advice in relation to the matters and made public statement to reserve all its rights against the local management of Guangzhou Mayer.

Up to the date of this report, the only active operating subsidiary of the Company is still Guangzhou Mayer which is a manufacturer and distributor of steel pipes, steel sheets and other metal products in the People’s Republic of China (the “PRC”). The market territories of Guangzhou Mayer include the domestic sales of the steel products in the PRC and the indirect export distribution. The Company indirectly holds 81.4% equity interest in Guangzhou Mayer through Bamian Investments PTE Limited, a direct wholly-owned subsidiary of the Company incorporated in Singapore. The Group’s effective interest in Guangzhou Mayer is 81.4%.

On 9 May 2011, the Company had acquired the entire issued share capital of Yield Rise Limited (“Yield Rise”) at the total consideration of HK\$620 million from Make Success Limited (“Make Success”), the vendor. Yield Rise controls the right to develop a designed port and certain real estate projects in the Dan Tien Port of Vietnam. However, the Company subsequently discovered that it was induced into the acquisition transaction by the misrepresentations made by Make Success and its accomplices; therefore, the Company commenced legal proceedings in the High Court of Hong Kong under action number of HCA64 of 2012 against Make Success and other allegedly related parties (“HCA64/2012”). Other than the HCA64/2012 case, the Company is also currently involved into various court proceedings which are still pending at the date of this report. The progress and the latest updates of the HCA64/2012 case and those legal proceedings, together with all other material information of the Company, had been disclosed in details by the Company’s prompt announcements during the financial year under review.

Management Discussion and Analysis

On or about 21 August 2014, Capital Wealth Finance Company Limited (“Capital Wealth”) and Bumper East Limited (“Bumper East”) issued a notice to the Company requisitioning two extraordinary general meetings (the “Requested EGMs”) for removing all of the existing Directors (except Mr. Li Deqiang) and appointing new Directors. In the absence of any verifiable credentials provided by both conveners, the Company claimed that it could not confirm if the requisition notice for convening the Requested EGMs was valid. Upon the rejection of convening the Requested EGMs by the Company, Capital Wealth and Bumper East convened the Requested EGMs on 9 October 2014 without the participation of the former management of the Company (the “2014 EGMs”). The details of the 2014 EGMs and the poll results concluded therefrom had been disclosed in the Company’s three announcements posted on 16 January 2015. Thereafter, the resolutions passed in the 2014 EGMs had been confirmed and ratified by another extraordinary general meeting of the Company convened on 10 August 2015.

PRODUCTION AND SALES

The revenue from indirect export sales of steel products in the PRC during the Period was approximately RMB151,179,000, representing a decrease of approximately 5.7% compared with approximately RMB160,245,000 for the same period of last year. The market for indirect export sales in the PRC continued to be the core market for the Group’s steel segment.

The revenue from domestic sales of steel products in the PRC during the Period was approximately RMB102,708,000, representing a decrease of approximately 2.3% compared with the same period of last year’s approximately RMB105,089,000.

The revenue from direct export sales of steel products outside the PRC during the Period was approximately RMB4,166,000 representing an increase of approximately 75.0% while it was approximately RMB2,380,000 for the same period of last year.

GROSS PROFIT

The Group recorded a gross profit of approximately RMB22,878,000 for the period, with a gross profit margin of approximately 8.9%, compared with the gross profit of approximately RMB23,331,000 and a gross profit margin of approximately 8.7% for the same period of last year. The gross profit margin remain stable during the Period.

Management Discussion and Analysis

OPERATING EXPENSES

The total operating expenses of the Group for the Period were approximately RMB23,485,000, of which approximately RMB8,889,000 in distribution costs, RMB14,318,000 in administrative expenses and RMB278,000 in other operating expenses, accounting for approximately 3.4%, 5.6%, and 0.1% of revenue respectively while the amounts for the same period of last year were approximately RMB7,425,000, RMB16,460,000, and RMB20,000 respectively, accounting for approximately 2.8%, 6.1%, and 0.01% respectively.

FINANCE COSTS

During the Period, the Group incurred approximately RMB1,856,000 in finance costs, compared with approximately RMB2,281,000 for the same period of last year. The Group relied on bank borrowings to finance its trading activities, the decrease in finance costs paid during the Period was mainly due to the decrease in 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 30 June 2014, the Group had bank deposits and cash balances of approximately RMB39,829,000.

The Group had net current assets of approximately RMB156,042,000 as at 30 June 2014 as compared with approximately RMB150,968,000 as at 31 December 2013. The current ratio (current assets divided by current liabilities) changed to approximately 2.24 as at 30 June 2014 from 2.16 as at 31 December 2013.

The Group had a total of approximately RMB54,167,000 financing facilities from banks were available as at 30 June 2014, approximately RMB69 million had been drawn down 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 2014 was approximately 57.5% while it was approximately 60.0% as at 31 December 2013. Current portion of borrowings accounted for approximately 20.1% and 26.8% of the total assets of the Group as at 30 June 2014 and 31 December 2013, respectively.

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CASH FLOW

For the period, the Group generated net cash inflow of approximately RMB21,544,000 from its operating activities, as compared to net cash inflow of approximately RMB7,406,000 for the same period of last year. The increase in net cash inflow from operating activities was primarily due to the increase in trade payables and other payables. Net cash outflow of approximately RMB1,515,000 was from investing activities for the Period, mainly resulted from payment for purchase of property, plant and equipment. Net cash outflow of approximately RMB25,541,000 was from financing activities, mainly resulted from net repayment of bank borrowings. Banks deposits and cash balances as at 30 June 2014 amounted to approximately RMB39,829,000, 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 2014, 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 report:

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 and its subsidiaries (“Yield Rise Group”), the promissory notes and convertible bonds were not recognised in the consolidated financial statements.

Management Discussion and Analysis

2. On 4 August 2014, Mr. Lai Yueh-Hsing, a former director of the Company, filed a Winding Up Petition dated 29 July 2014 against the Company under the Grant Court of Cayman Islands (“Grant Court”) 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 30 June 2014, the Group had total of about 300 employees. Total staff costs of for the Period were approximately RMB11,009,000, including retirement benefits cost of approximately RMB1,744,000. 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 has a share option scheme for the purpose of providing incentives and rewards to eligible participants. No option has been granted under the scheme since its adoption.

OUTLOOK

After the replacement of former management of Guangzhou Mayer in 2017, the new management of Guangzhou Mayer started to implement comprehensive management, and undertake market restructuring and repositioning. The development of carbon steel cutting, steel pipe and stainless steel pipe businesses have moved onto a steady development track.

Focusing on the businesses in relation to the steel sheets used in motor vehicles and the steel pipes used in motor vehicles as well as stainless steel drinking water pipes, Guangzhou Mayer adjusted its marketing strategies based on the actual situation in response to the market. Striving for creation, improvement and perfection, we aim to expand our market share and enhance the value of our products.

Looking ahead to 2018, we will continue to proceed with our steel processing and distribution business (including carbon steel cutting) and to better serve the existing customers. Meanwhile, we will explore new customers by leveraging on our existing advantages and boost sales through developing new domestic resources for steel plants. We strive to enhance our carbon steel pipe production ability, expand the business of pipes used in motor vehicles and gradually phase out from our low-end pipe business, enhancing the profitability of pipe business. We will actively promote the stainless steel drinking water pipe business by expanding its sales volume through integrating distribution channels, and foster regional direct sales channel at the same time. First, we will strenuously explore the direct sales market for stainless steel pipe materials and pipe fittings in Southern China so as to increase profit. In addition, we will actively seek for new projects that suit the need for corporate development in order to create new growth engines for the Group.

Nowadays, there is worldwide optimism about the PRC's future economic development. The pace of China's economic growth has remained in a reasonable range for years, demonstrating a development trend of growth amidst stability. The successful convention of the "19th National Congress of the CPC" has directed the future economic development of China and is going to pose significant impact on the global economy. Locating in the region of Pearl River Delta, one of the most prosperous regions of China, Guangzhou Mayer has unique advantages and we are confident of Guangzhou Mayer's future development. Stemming from 2017, we will strive to realize our business objectives in 2018, including a 16% growth in carbon steel cutting business, a 20% growth in stainless steel pipe business and a 10% growth in carbon steel pipe business, with more than 1,000 tonnes sales of motor vehicle steel pipes.

With its ability, wisdom and determination and with an unwavering focus on economic benefits, the management of Guangzhou Mayer is committed to optimizing the product structure and developing new products of competitiveness, enhancing product value and increasing customer satisfaction, seizing every opportunity that is beneficial to the Company's development and generating the best return to society, shareholders and investors.

Other Information

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

As at 30 June 2014, 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	71,588,000	7.72%
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 71,588,000 Shares, of which (a) 24,588,000 Shares, representing approximately 2.65% of the issued Shares, were held 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; and (b) 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. 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 2014, 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.

Other Information

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 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 2014, 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.

Other Information

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practice (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its Corporate Governance Practices. During the six months ended, the deviations 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.1.1 to A.1.5, C.3.1	Due to loss of records, the Company was unable to ensure there were regular Board meetings and committee meeting were held for the Period.
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.2.1	Mr. Lai Yueh-Hsing has been both the Chairman and chief executive officer of the Company. Given the Company’s current stage of development, the Board considers that vesting the roles of Chairman and chief executive officer in the same person facilitates the execution of the Company’s business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.
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.
C.1.5	Due to change of auditor, there were no annual and interim results of the Group presented to regular Board meetings for approval.
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.

Other Information

Interim Dividends

No dividend was paid during the period of six months ended 30 June 2014. The directors do not recommend the payment of an interim dividend for the Period.

Share Option Scheme

The share option scheme was adopted on 24 May 2004 (the "Share Option Scheme") for the primary purpose of providing incentive and to recognize the contribution of the eligible participants to the growth of the Group and will expire on 24 May 2014. Under the Share Option Scheme, the Board may grant options to eligible full time employees, including any executive, non-executive and independent non-executive directors, and consultants or advisers of the Company and/or any of its subsidiaries. Up to 30 June 2014, no options have been granted since the adoption of the Share Option Scheme. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant to the 10 years of the date of grant. No minimum period for which an option must be held is required. The exercise price, which is determined by the Board, is the highest of: (i) the closing price per share on the date of grant; (ii) the average closing price per share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

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.