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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: 1116)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE IN USE OF PROCEEDS

Financial adviser to the Company

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References are made to the announcements of Mayer Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 16 January 2018, 20 July 2018, 18 September 2018, 19 November 2018 and 21 December 2020 (the “**Announcement**”) and the circular of the Company dated 21 September 2018 (the “**Circular**”), in relation to the Open Offer, the section headed “Reasons for and use of proceeds from the Open Offer” in the letter from the board of the Circular and the section headed “Change in Use of Proceeds” in the Announcement. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular and the Announcement.

The Board wishes to supplement the following information in relation to the Change in Use of Unused Proceeds.

REASONS FOR THE CHANGE IN USE OF UNUSED PROCEEDS

As disclosed in the Announcement, the Company has identified and successfully modified and enhanced the Group's processing, supporting and production facilities in, inter alia, (i) steel pipes production facility modifications & enhancement; (ii) vehicle exhaust pipe production & material analysis system supporting; and (iii) pipe fitting & other production facility to match their respective intended designed processing/production capacity at lower costs as initially expected which led to total Unused Proceeds in the amount of approximately RMB54,823,000 (equivalent to HK\$64,965,000).

As disclosed in the Circular, net proceeds of the Open Offer of RMB81,500,000 (equivalent to approximately HK\$93,730,000) was allocated for the capital expenditure requirement of Guangzhou Mayer Corporation Limited ("**Guangzhou Mayer**") for 12 months after completion of the Open Offer in November 2018.

Since the former senior management of the Group did not perform maintenance on the equipment of Guangzhou Mayer, causing frequent malfunction and error of equipment in the past. Having considered the above and (i) the declining quality of the products which caused the Group to lose competitiveness in the product market; and (ii) the enhancement of long-term development of the Group, the management, at the material time, were of the view that it was necessary for Guangzhou Mayer to increase the purchase of and update its production equipment.

On 3 July 2018, Guangzhou Mayer and Guangdong Polytechnic University* (廣東理工大學)("Guangdong Polytechnic") entered into a technology development agreement (i) to cooperatively build precision steel pipe and pipe engineering technology research and development centre; and (ii) such that Guangdong Polytechnic would provide advice and consultancy services on the alteration and research and development of production lines to Guangzhou Mayer for a period of five years. In addition to product development, the cooperation between Guangzhou Mayer and Guangdong Polytechnic also includes the upgrade of production lines technology. However, initially (and at the time of the Circular), as Guangdong Polytechnic was not familiar with situation of production equipment and production process of Guangzhou Mayer, it was not in the position to advise the Company in details on the use of proceeds of the Open Offer yet.

Subsequently in January 2019, after thorough examination of the production equipment and production process of Guangzhou Mayer, the professional team from Guangdong Polytechnic provided constructive advice on the research of production lines and jointly carried out the automation and intellectualized technology research on steel belt and steel pipe processing equipment. The advice from Guangdong Polytechnic mainly focused on the followings:

- (i) Key technology (the “**Key Technology**”) of steel pipe, pipe molding process and mold design and of processing production, on which the Company has carried out automation upgrade. The advice of Key Technology includes that (a) the technology applied in stainless steel pipe machinery was changed from traditional argon arc welding to the advanced TIG and PLASMA welding technologies to increase the welding speed of pipes and pipes production output; (b) the mold structure and pipe molding process were changed from single-mode production to dual-mode production to double the production efficiency; and (c) combined with the application of new processing technology, the pipe sawing process has been upgraded to apply laser cutting technology, which greatly improve the efficiency of pipe cutting process. Meanwhile, as opposed to traditional cutting technology, laser cutting technology does not require additional repairment, which reduce the investment cost for cutting equipment and repairment tools. Accordingly, Guangzhou Mayer has reduced the amount of purchase on steel pipe and pipe production equipment.
- (ii) Through on-site spectating and research, Guangdong Polytechnic discovered the core reasons for the unsatisfied production efficiency and quality of pipe machines and carried out local alteration and upgrade of such production facilities. As a result, a total of 23 items in relation to the stainless steel laser welding production lines were no longer necessary to be purchased, including but not limited to (a) machinery equipment; (b) internally pressurized leveling machine; and (c) temperature control machine.
- (iii) Guangdong Polytechnic has guided Guangzhou Mayer to carry out large-scale repairment and alteration of its cutting machine so that the equipment which were previously on the edge of being eliminated or removed due to the lack of repairment and maintenance could finally resume production. As a result, the purchase of a total of 12 items relating to the replacement of shear and shearer control system, including but not limited to, (a) cross cutter machine; (b) scrap machine; and (c) tensioner, were cancelled, and the costs of purchase of a total of 13 items relating to small flying shear plate machine, including but not limited to, (a) loading trolley; (b) stacking devices; and (c) conveyor, were greatly reduced.

Due to the above and with the cooperation of relevant technical units of Guangzhou Mayer, the original control system software of the Group was enhanced and the hardware maintenance of the Group were guided by experts so that the replacement of full set of control system was no longer required. Having considered the advice from the experts of Guangdong Polytechnic, the Group could satisfy its production output by simply purchasing small flying shear plate machine made in the PRC, which greatly reduces the costs of purchase of small flying shear plate machine.

In addition, vehicle exhaust pipe production and material analysis system supporting equipment and facility are no longer required to be purchased due to (i) more enterprises entering the market in the past two years and that auto vehicles factories mainly choose the products of their own investment or their respective holding companies; and (ii) auto vehicles factories having been owing money to their suppliers for a long period of time.

As a result of the above factors, the development of the Group has become less reliant on the purchase of new equipment while the performance of production equipment of Guangzhou Mayer has improved steadily. Accordingly, the Company did not follow the original plan as set out in the Circular for the purchase of equipment.

As disclosed in the Announcement, having been affected by the outbreak of the COVID-19 in early 2020, the Board has resolved to allocate partial of the Unused Proceeds in the amount of approximately RMB43,000,000 (equivalent to approximately HK\$50,955,000) as general working capital to support the daily business of the Group more effectively in purchasing necessary materials resources (i.e. mainly steels) for the Group's operation purposes. In view of the rising demand of the stainless steel pipe market in the second half of the year 2020 and with an aim at meeting market demand and improving the business prospect of the Group, out of the aforesaid allocated Unused Proceeds of approximately RMB43,000,000 (equivalent to approximately HK\$50,955,000), approximately RMB28,222,000 (equivalent to approximately HK\$33,443,000) has been used for purchasing materials resources and the remaining proceeds of approximately RMB14,778,000 (equivalent to approximately HK\$17,512,000) will mostly be used in the first quarter of 2021 for similar purpose when it is necessary to fulfill the production need of the Group and to purchase material resources in advance due to the prosperous market development. The Company intends to use the remaining Unused Proceeds of approximately RMB11,823,000 (equivalent to approximately HK\$14,010,000) in 2021 for the purchase of production facilities and equipment in order to increase its production capacity and efficiency.

The Board is of the view that the Change in Use of Unused Proceeds (i.e. new allocation of the Unused Proceeds) (i) solved the business and operational needs of the Group at the material time; (ii) did not have any material adverse effect on the existing business and operations of the Group; and therefore, (iii) carried out in the best interests of the Company and the Shareholders as a whole.

By order of the Board
Mayer Holdings Limited
Xu Lidi
*Executive Director and
Chief Executive Officer*

Hong Kong, 20 January 2021

* *for identification purpose only*

For the purpose of this announcement and for illustration purposes only, unless the context otherwise requires, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.185.

As at the date hereof, the Board comprises five executive Directors, namely, Mr. Cheng Yuk Ping, Mr. Xu Lidi, Mr. Lee Kwok Leung, Mr. Zhou Shi Hao and Mr. Chen Zhirui; one non-executive Director, namely, Mr. Wang Dongqi; and three independent non-executive Directors, namely, Mr. Lau Kwok Hung, Mr. Cheung, Eddie Ho Kuen and Dr. Li Yutong.