



榮陽實業集團有限公司 PanAsialum Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2078



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Corporate Information

DIRECTORS

Executive Directors

Mr. Marcus Pan (Chairman and Chief Executive Officer (“**CEO**”))
Ms. Shao Lidan
Mr. Fung Chi Kong Felix
Mr. Lee Hui Fu
Ms. Ng Bonnie Po Ling

Independent Non-executive Directors

Mr. Tsang Wah Kwong
Mr. Chan Nim Leung Leon
Mr. Wong Yee Shuen Wilson
Mr. Tse Chiang Kwok Nassar

BOARD COMMITTEES

Audit Committee

Mr. Tsang Wah Kwong (Chairman)
Mr. Chan Nim Leung Leon
Mr. Wong Yee Shuen Wilson
Mr. Tse Chiang Kwok Nassar

Remuneration Committee

Mr. Chan Nim Leung Leon (Chairman)
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson
Mr. Marcus Pan
Mr. Tse Chiang Kwok Nassar

Nomination Committee

Mr. Marcus Pan (Chairman)
Mr. Chan Nim Leung Leon
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson
Mr. Tse Chiang Kwok Nassar

AUTHORISED REPRESENTATIVES

Mr. Fung Chi Kong Felix
Ms. Ng Bonnie Po Ling
Ms. Yuen Suk Ching
(alternate to Mr. Fung Chi Kong Felix)

COMPANY SECRETARY

Ms. Yuen Suk Ching

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the “**Stock Exchange**”)

STOCK CODE

2078

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRODUCTION BASE IN THE PEOPLE’S REPUBLIC OF CHINA (THE “**PRC**”)

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Guangshan Road
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Zengcheng, Guangzhou
Guangdong Province
PRC

PRINCIPAL SHARE REGISTRAR

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(Cayman) Limited
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24 Shedden Road
P.O. Box 1586
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Cayman Islands

COMPLIANCE ADVISER

Fortune Financial Capital Limited

WEBSITE

www.palum.com

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China Macau Branch

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin

As to PRC law:

Jingtian & Gongcheng

As to Cayman Islands law:

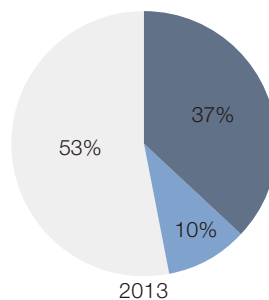
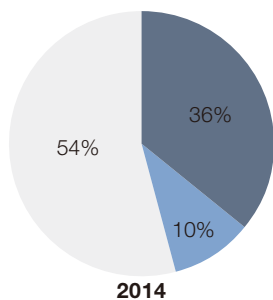
Conyers Dill & Pearman (Cayman) Limited

Financial Highlights and Key Financial Ratios

	For the six months ended		
	31 March		
	2014 (Unaudited)	2013 (Audited)	Change in %
Revenue	HK\$1,432 million	HK\$1,293 million	11%
Profit attributable to Shareholders	HK\$120 million	HK\$249 million	-52%
Gross Profit Margin	17%	30%	
Earnings per Share	10 HK cents	25 HK cents	
Return on equity	6.3%	12.1%	
Interest Coverage Ratio	24.1	16.3	

	As at	As at
	31 March	30 September
	2014 (Unaudited)	2013 (Audited)
Current Ratio	2.04	2.66
Quick Ratio	1.75	2.23
Gearing Ratio	16.9%	27.9%
Net Debt to Equity Ratio	-1.3%	0.1%

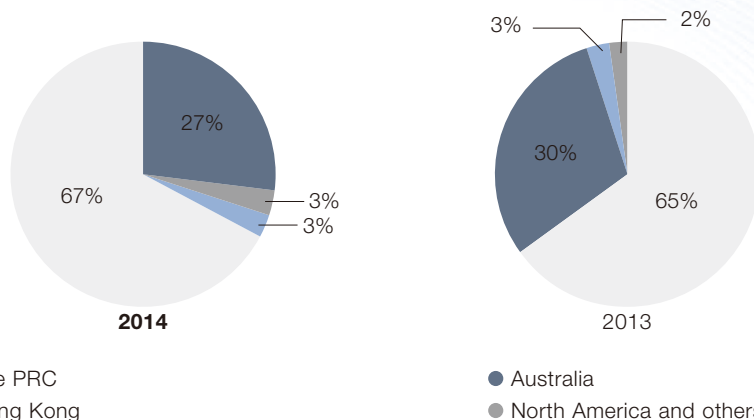
ANALYSIS OF REVENUE BY PRODUCTS



- Electronics Parts
- Construction and Industrial Products
- Branded OPLV Products

Financial Highlights and Key Financial Ratios

ANALYSIS OF REVENUE BY GEOGRAPHICAL LOCATIONS



- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit for the period divided by total equity and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.
- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on total borrowings and obligations under finance leases divided by total equity multiplied by 100%.
- (7) The calculation of Net Debt to Equity Ratio is based on total borrowings, obligations under finance leases and amount due to a director less cash and cash equivalents divided by total equity multiplied by 100%.

The Board of Directors (the “**Directors**”) of the Company (the “**Board**”) did not declare an interim dividend for the six months ended 31 March 2014 (six months ended 31 March 2013: 20 HK cents per share).

Report on Review of Interim Financial Information

To the Board of Directors of PanAsialum Holdings Company Limited

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 8 to 37, which comprises the interim condensed consolidated statement of financial position of PanAsialum Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 31 March 2014 and the related interim condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Financial Information

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 May 2014

Condensed Consolidated Interim Statement of Financial Position

As at 31 March 2014

		Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	496,073	511,478
Land use rights		9,381	9,326
Deposits and lease prepayments	9	113,493	1,778
Prepayments for property, plant and equipment		<u>36,156</u>	<u>3,485</u>
		<u>655,103</u>	<u>526,067</u>
Current assets			
Inventories		354,495	329,189
Trade receivables	10	997,931	703,145
Prepayments, deposits and other receivables		326,009	168,778
Due from a related company	22	3,723	3,385
Capital guaranteed fund		-	4,517
Derivative financial instruments		-	651
Pledged bank deposits		-	21,531
Fixed bank deposit		-	300,000
Cash and cash equivalents		<u>794,767</u>	<u>498,694</u>
		<u>2,476,925</u>	<u>2,029,890</u>
Total assets		<u>3,132,028</u>	<u>2,555,957</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	120,000	120,000
Reserves		<u>1,796,336</u>	<u>1,672,754</u>
Total equity		<u>1,916,336</u>	<u>1,792,754</u>

Condensed Consolidated Interim Statement of Financial Position

As at 31 March 2014

		Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion		840	988
Current liabilities			
Trade payables	13	214,530	103,155
Other payables and accrued charges		188,108	149,629
Due to a director	22	446,144	–
Derivative financial instruments		8,529	3,549
Borrowings	12	323,153	499,368
Obligations under finance leases – current portion		291	283
Current income tax liabilities		34,097	6,231
		<u>1,214,852</u>	<u>762,215</u>
Total liabilities		<u>1,215,692</u>	<u>763,203</u>
Total equity and liabilities		<u>3,132,028</u>	<u>2,555,957</u>
Net current assets		<u>1,262,073</u>	<u>1,267,675</u>
Total assets less current liabilities		<u>1,917,176</u>	<u>1,793,742</u>

The notes on pages 14 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 March 2014

		Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Revenue	7	1,431,504	1,292,658
Cost of sales	14	(1,183,038)	(904,265)
Gross profit		248,466	388,393
Distribution and selling expenses	14	(67,200)	(52,429)
Administrative expenses	14	(125,117)	(107,593)
Other income	15	135,809	1,135
Other losses – net	16	(40,624)	(7,394)
Operating profit		151,334	222,112
Finance income	17	2,975	133
Finance costs	17	(6,283)	(13,634)
Finance costs – net	17	(3,308)	(13,501)
Profit before income tax		148,026	208,611
Income tax (expenses)/credit	18	(27,746)	40,342
Profit attributable to equity holders of the Company		120,280	248,953

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 31 March 2014

		Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
	<i>Notes</i>		
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		<u>3,302</u>	<u>363</u>
Total comprehensive income attributable to equity holders of the Company		<u><u>123,582</u></u>	<u><u>249,316</u></u>
Earnings per share attributable to the equity holders of the Company (expressed in HK cents per share)	20	<u><u>10</u></u>	<u><u>25</u></u>
Dividends	19	<u><u>-</u></u>	<u><u>290,000</u></u>

The notes on pages 14 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 March 2014

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 October 2013	120,000	1,001,009	61,477	610,268	1,792,754
Profit for the period	-	-	-	120,280	120,280
Other comprehensive income:					
Currency translation differences	-	-	3,302	-	3,302
Total comprehensive income for the period	-	-	3,302	120,280	123,582
Balance at 31 March 2014	120,000	1,001,009	64,779	730,548	1,916,336

	Audited				
	Attributable to equity holders of the Company				
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained Earnings HK\$'000	Total equity HK\$'000
Balance at 1 October 2012	-	-	43,045	692,910	735,955
Profit for the period	-	-	-	248,953	248,953
Other comprehensive income:					
Currency translation differences	-	-	363	-	363
Total comprehensive income for the period	-	-	363	248,953	249,316
Transactions with owners:					
Proceeds from shares issued	120,000	1,009,690	-	-	1,129,690
Transfer to statutory reserves	-	-	6,124	(6,124)	-
Dividends paid (Note 19)	-	-	-	(50,000)	(50,000)
Total transactions with owners	120,000	1,009,690	6,124	(56,124)	1,079,690
Balance at 31 March 2013	120,000	1,009,690	49,532	885,739	2,064,961

The notes on pages 14 to 37 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 31 March 2014

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Net cash (used in)/generated from operating activities	(128,632)	282,110
Net cash generated from/(used in) investing activities	133,018	(64,531)
Net cash generated from financing activities	291,319	845,191
Net increase in cash and cash equivalents	295,705	1,062,770
Cash and cash equivalents at beginning of the period	498,694	143,303
Exchange gains/(losses) on cash and cash equivalents	368	(2,947)
Cash and cash equivalents at end of the period	794,767	1,203,126

The notes on pages 14 to 37 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

PanAsialum Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the manufacturing and trading of aluminium products. The Company is an investment holding company. The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 7 October 2005 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has been listed on the main board of The Stock Exchange of Hong Kong Limited since 5 February 2013.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. This condensed consolidated interim financial information has been reviewed but not audited, and it was approved for issue by the Board of directors (the “**Board**”) on 19 May 2014.

2 KEY EVENTS

On 1 October 2013, the Group entered into an investment agreement (the “**Investment Agreement**”) with the People’s Government of Wolong District (the “**Wolong District Government**”) of the People’s Republic of China (the “**PRC**”), pursuant to which the Group conditionally agreed to invest an aggregate sum of Renminbi (“**RMB**”) 3,000 million (equivalent to HK\$3,820 million) at the Nanyang Optoelectronics Industry Cluster Area in Nanyang City (“**Nanyang City**”), Henan Province, the PRC, for the establishment of an aluminium alloy production base.

Pursuant to the Investment Agreement, the Group won the bids and acquired the land use rights of seven parcels of land located in Nanyang City in March 2014 for a total cash consideration of RMB178 million (equivalent to HK\$227 million). A total then refundable deposit of RMB88 million (equivalent to HK\$112 million) has been paid as at 31 March 2014 towards the partial settlement of the consideration, and the remaining balances of RMB90 million (equivalent to HK\$115 million) has been paid in April 2014.

Notes to the Condensed Consolidated Interim Financial Information

3 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 31 March 2014 has been prepared in accordance with HKAS 34 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 30 September 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

4 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 30 September 2013, as described in those annual consolidated financial statements.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards and interpretations that have been issued and are effective for the Group's financial year commencing on 1 October 2013:

Amendments which do not have significant financial impact to the Group

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Associates and Joint Ventures
HKFRS 1 (Amendment)	First-time Adoption of HKFRS – Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial assets and financial liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, 11 and 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvement Projects	Improvements to HKASs and HKFRSs 2011

Notes to the Condensed Consolidated Interim Financial Information

4 ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

The adoption of the above new and amended HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

There are no other new, revised standards and amendments to standards or interpretations that are effective for the first time for this interim period and could be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted

The following new and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 October 2013 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	Effective date to be determined
HKFRS 10, 12 and HKAS 27 (Amendment)	Exemption from Consolidation for Investments Entities	1 January 2014
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Annual improvement projects	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvement projects	Annual improvements to HKFRSs 2011-2013	1 July 2014

The Group estimates that the adoption of the above new standards and amendments to the existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group is not exposed to material equity price risk. There have been no changes in any risk management policies since the last year end.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 September 2013.

5.2 Liquidity risk

Compared to the last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. For a significant increase in the amount due to a director, the Group does not expect any major exposure to liquidity risk in view of the Group's sufficient cash and the availability of an adequate amount of credit facilities.

5.3 Commodity price risk on aluminium

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. A change in prices of aluminium could affect the Group's financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

The Group recognised a total loss on derivative financial instruments of HK\$34,381,000 during the six months ended 31 March 2014 (2013: Nil). As at 31 March 2014, the Group held future contracts which will become mature in between May and September 2014. Management considers the fluctuation on the commodity price of aluminium does not have a significant impact on the Group's earnings and cash flows in the long run.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (Continued)

5.4 Fair value estimation

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2014 and 30 September 2013.

At 31 March 2014 (Unaudited)

Group	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Liabilities				
Aluminium future contracts	<u>(8,529)</u>	<u>-</u>	<u>-</u>	<u>(8,529)</u>

At 30 September 2013 (Audited)

Group	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Equity-index embedded derivatives	<u>-</u>	<u>651</u>	<u>-</u>	<u>651</u>
Liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>(827)</u>	<u>-</u>	<u>(827)</u>
Aluminium future contracts	<u>(2,722)</u>	<u>-</u>	<u>-</u>	<u>(2,722)</u>

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short maturity.

Notes to the Condensed Consolidated Interim Financial Information

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

(b) Provision for impairment of receivables

Management determines the provision for impairment of trade receivables. This amount of impairment is based on the credit history of its customers and the current market condition. Management reassesses the provision at each reporting date.

Significant judgment is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amount and impairment of trade receivables are disclosed in Note 10.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(Continued)

(c) Fair value of derivatives

The fair value of derivatives is determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the end of the reporting period. Changes in assumptions can materially affect the fair value estimate of the financial instruments. Information on the fair values of derivative financial instruments is disclosed in Note 5.4.

(d) Identification of functional currencies

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment. The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment.

7 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from both product and geographical perspectives. The Board regularly reviews the consolidated financial statements from both product and geographical perspectives to assess performance and make resources allocation decisions. The operating segments are determined to be based on products. Management assesses the performance of the operating segments based on a measure of gross profit.

The Group derives its revenue from three product segments, namely the electronics parts, branded OPLV products and construction and industrial products which are operating in five geographical areas, namely The PRC (excluding Hong Kong), Australia, North America, Hong Kong and others.

Notes to the Condensed Consolidated Interim Financial Information

7 SEGMENT INFORMATION (Continued)

The description of each reportable product segment is as follows:

Reportable product segment	Type of products
Electronics parts	Aluminium parts for consumer electronics products, examples including heat sinks and chassis for computers
Branded OPLV products	Door and window frames systems marketed under "OPLV" brand and sold through distributors
Construction and industrial products	Products sold for construction and industrial use, examples including window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods

The segment information for the operating segments for the six months ended 31 March 2014 is as follows:

	Unaudited			Total HK\$'000
	Electronics parts HK\$'000	Branded OPLV products HK\$'000	Construction and industrial products HK\$'000	
Turnover – Sales to external customers	767,046	144,641	519,817	1,431,504
Cost of sales	(607,480)	(118,950)	(456,608)	(1,183,038)
Segment gross profit	159,566	25,691	63,209	248,466
Unallocated operating costs				(192,317)
Other income				135,809
Other losses – net				(40,624)
Finance costs – net				(3,308)
Profit before income tax				148,026

Notes to the Condensed Consolidated Interim Financial Information

7 SEGMENT INFORMATION *(Continued)*

The segment information for the operating segments for the six months ended 31 March 2013 is as follows:

	Audited			Total HK\$'000
	Electronics parts HK\$'000	Branded OPLV products HK\$'000	Construction and industrial products HK\$'000	
Turnover – Sales to external customers	679,078	134,400	479,180	1,292,658
Cost of sales	<u>(454,278)</u>	<u>(99,349)</u>	<u>(350,638)</u>	<u>(904,265)</u>
Segment gross profit	224,800	35,051	128,542	388,393
Unallocated operating costs				(160,022)
Other income				1,135
Other losses – net				(7,394)
Finance costs – net				<u>(13,501)</u>
Profit before income tax				<u><u>208,611</u></u>

Notes to the Condensed Consolidated Interim Financial Information

7 SEGMENT INFORMATION (Continued)

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the six months ended 31 March 2014 and 2013 consists of the following:

Unaudited						
Six months ended 31 March 2014						
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America	Kong	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – Sales to external customers	952,533	392,508	14,502	44,120	27,841	1,431,504
Cost of sales	<u>(765,535)</u>	<u>(339,402)</u>	<u>(12,841)</u>	<u>(37,963)</u>	<u>(27,297)</u>	<u>(1,183,038)</u>
Gross profit	<u>186,998</u>	<u>53,106</u>	<u>1,661</u>	<u>6,157</u>	<u>544</u>	<u>248,466</u>

Audited						
Six months ended 31 March 2013						
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America	Kong	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – Sales to external customers	843,336	391,908	14,646	31,746	11,022	1,292,658
Cost of sales	<u>(579,112)</u>	<u>(276,411)</u>	<u>(12,010)</u>	<u>(26,422)</u>	<u>(10,310)</u>	<u>(904,265)</u>
Gross profit	<u>264,224</u>	<u>115,497</u>	<u>2,636</u>	<u>5,324</u>	<u>712</u>	<u>388,393</u>

Notes to the Condensed Consolidated Interim Financial Information

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited six months ended 31 March 2014 HK\$'000	Audited year ended 30 September 2013 HK\$'000
Opening net book amount	511,478	399,637
Exchange differences	2,874	10,945
Additions	16,495	157,549
Disposals	–	(2,249)
Depreciation (Note 14)	<u>(34,774)</u>	<u>(54,404)</u>
Closing net book amount	<u>496,073</u>	<u>511,478</u>

9 DEPOSITS AND LEASE PREPAYMENTS

The Group paid a total refundable deposit of RMB88 million (equivalent to HK\$112 million) towards the partial settlement of seven parcels of land acquired in March 2014 (Note 2) (as at 30 September 2013: Nil).

10 TRADE RECEIVABLES

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Trade receivables	997,931	703,145
Less: provision for impairment of receivables	<u>–</u>	<u>–</u>
Trade receivables – net	<u>997,931</u>	<u>703,145</u>

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 45 to 120 days.

Notes to the Condensed Consolidated Interim Financial Information

10 TRADE RECEIVABLES (Continued)

The ageing analysis of the trade receivables based on due date was as follows:

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Current	668,633	434,100
1 – 30 days	135,567	83,338
31 – 60 days	37,735	58,192
61 – 90 days	50,725	77,139
91 – 180 days	100,645	50,165
181 days – 1 year	4,626	211
	997,931	703,145

As at 31 March 2014, receivables of HK\$668,633,000 were neither past due nor impaired (At 30 September 2013: HK\$434,100,000). These receivables relate to customers for whom there is no recent history of default.

As at 31 March 2014, trade receivables of HK\$329,298,000 were past due but not impaired (as at 30 September 2013: HK\$269,045,000). These relate to a number of independent customers that have a good track record of payment with the Group. No impairment provision was made as at 31 March 2014 (as at 30 September 2013: Same).

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK\$67,295,000 to bank in exchange for cash as at 31 March 2014 (as at 30 September 2013: HK\$180,080,000). The transactions have been accounted for as collateralised borrowings (Note 12).

As at 31 March 2014, all trade receivables were non-interest bearing (as at 30 September 2013: Same).

Notes to the Condensed Consolidated Interim Financial Information

11 SHARE CAPITAL

	Unaudited 31 March 2014		Audited 30 September 2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>2,400,000,000</u>	<u>240,000</u>	<u>2,400,000,000</u>	<u>240,000</u>
Issued and fully paid:	<u>1,200,000,000</u>	<u>120,000</u>	<u>1,200,000,000</u>	<u>120,000</u>

12 BORROWINGS

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Current		
Collateralised borrowings (Note 10)	60,565	144,064
Trust receipt loans	–	4,696
Term loans	262,588	350,608
	<u>323,153</u>	<u>499,368</u>

As at 31 March 2014, the effective interest rate of the borrowings was 3.05% per annum (At 30 September 2013: 4.42% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Information

12 BORROWINGS *(Continued)*

As at 31 March 2014, the Group's banking facilities were secured by the pledge of the Group's land use rights and buildings, and a legally notarised *livranca* (i.e. a promissory note) signed by a subsidiary of the Group. As at 30 September 2013, the Group's banking facilities were secured by the pledge of all assets, pledge of bank deposits and capital guaranteed fund, pledge of the Group's land use rights and buildings, guarantees by the Company, and a legally notarised *livranca* (i.e. a promissory note) signed by a subsidiary.

13 TRADE PAYABLES

As at 31 March 2014 and 30 September 2013, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
0 – 30 days	104,924	82,173
31 – 60 days	48,126	12,860
61 – 90 days	44,770	1,510
Over 90 days	16,710	6,612
	<u>214,530</u>	<u>103,155</u>

Notes to the Condensed Consolidated Interim Financial Information

14 EXPENSES BY NATURE

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Operating profit is stated after charging/ (crediting) the following:		
Auditor's remuneration – current period	2,000	1,928
Operating leases – land and buildings	16,710	1,730
Changes in inventories of finished goods and work in progress	(45,991)	(30,905)
Raw materials and consumables used	1,080,882	800,413
Loss on disposal of property, plant and equipment	–	1,485
Employee benefit expenses	156,519	156,897
Depreciation:		
Owned property, plant and equipment (Note 8)	34,686	24,366
Leased property, plant and equipment (Note 8)	88	106
Transportation expenses	38,644	29,621
Amortisation of land use rights	125	114
Legal and professional fees	3,792	597
Research and development costs	2,555	3,157
Utilities	34,192	32,931

Notes to the Condensed Consolidated Interim Financial Information

15 OTHER INCOME

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Government grant (Note)	133,220	–
Insurance claim	799	–
Forfeiture of customer deposits	1,549	150
Others	241	985
	<u>135,809</u>	<u>1,135</u>

Note:

Government grant amounting to HK\$133,220,000 (RMB104,604,000) represented incentive receivable from Wolong District Government in accordance with the supportive preferential policy pursuant to the Investment Agreement (Note 2) for the Group's development of high technology enterprise in the Wolong District in Nanyang City. HK\$48,200,000 (RMB37,797,000) of such grant has been received in April 2014.

16 OTHER LOSSES – NET

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Net exchange losses	(7,071)	(5,787)
Gain/(loss) on derivative financial instruments – foreign exchange forward contracts	828	(1,749)
Fair value gain on derivative financial instruments – equity-index embedded derivative	–	142
Loss on derivative financial instruments – aluminium future contracts	(34,381)	–
	<u>(40,624)</u>	<u>(7,394)</u>

Notes to the Condensed Consolidated Interim Financial Information

17 FINANCE INCOME AND COSTS

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Interest expenses:		
Interest expense on bank borrowings wholly repayable within 5 years	6,266	13,629
Interest element of finance leases	17	5
	6,283	13,634
Finance costs	6,283	13,634
Interest income:		
Interest income on capital guaranteed fund	(130)	(17)
Interest income on bank deposits	(2,845)	(116)
	(2,975)	(133)
Finance income	(2,975)	(133)
Finance costs – net	3,308	13,501

Notes to the Condensed Consolidated Interim Financial Information

18 INCOME TAX (EXPENSES)/CREDIT

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the six months ended 31 March 2014. No Hong Kong profits tax has been provided as the Group has no estimated assessable profits for the six months ended 31 March 2013.

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the six months ended 31 March 2014. No PRC corporate income tax has been provided as the Group has no estimated assessable profit for the six months ended 31 March 2013.

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore) Limited is exempted from Macao Complementary Tax during the six months ended 31 March 2014 (2013: Same).

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Hong Kong profits tax		
– current period	(497)	–
– over-provision in prior periods	390	–
Overseas taxation		
– current period	(32,216)	–
– over-provision in prior periods	4,577	40,342
	<u>(27,746)</u>	<u>40,342</u>

Notes to the Condensed Consolidated Interim Financial Information

19 DIVIDENDS

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Interim dividends declared and paid by a subsidiary of the Group prior to reorganisation (Note (a))	—	50,000
Interim dividend of 20 HK cents per ordinary share declared subsequent to the balance sheet date (Note (b))	—	240,000
	—	290,000

Notes:

- (a) Interim dividends were declared and paid by a subsidiary of the Group to its then equity holders prior to the Group's reorganisation which was completed on 12 October 2012.
- (b) Interim dividend was declared to its equity holders. The amount of such interim dividend for the six months ended 31 March 2013 was based on 1,200,000,000 shares in issue as at 22 May 2013.
- (c) No dividend has been declared for the six months ended 31 March 2014.

Notes to the Condensed Consolidated Interim Financial Information

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

In determining the number of ordinary shares in issue for the six months ended 31 March 2013, the issue and allotment of 1 share by the Company on 7 October 2005, the 999,999 shares issued and allotted on 12 October 2012 and the 899,000,000 shares issued and allotted through capitalisation of the share premium account of the Company upon listing on 5 February 2013 were deemed to have been issued since 1 October 2012.

	Unaudited Six months ended 31 March 2014	Audited Six months ended 31 March 2013
Profit attributable to equity holders of the Company (HK\$'000)	<u>120,280</u>	<u>248,953</u>
Weighted average number of ordinary shares in issue	<u>1,200,000,000</u>	<u>990,659,341</u>
Basic earnings per share (HK cents)	<u>10</u>	<u>25</u>

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 31 March 2013 and 2014, respectively.

Notes to the Condensed Consolidated Interim Financial Information

21 COMMITMENTS

(a) Capital commitments

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Contracted but not provided for		
– property, plant and equipment	341,569	7,484
– land use rights	115,296	–
	<u>456,865</u>	<u>7,484</u>

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Within one year	6,229	6,506
In the second to fifth year inclusive	5,200	6,821
	<u>11,429</u>	<u>13,327</u>

Notes to the Condensed Consolidated Interim Financial Information

22 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

Save as disclosed elsewhere in the consolidated interim financial information, the Group had the following related party transactions during the six months ended 31 March 2014 and 2013:

(i) Sales of goods

	Unaudited Six months ended 31 March 2014	Audited Six months ended 31 March 2013
<i>Notes</i>	HK\$'000	HK\$'000
Continuing: Sales of aluminium extrusion materials Guangzhou Rongjin Curtain Wall Co. Ltd. (" Rongjin ") 廣州市榮晉幕牆有限公司 ¹	(a), (b) <u>12,860</u>	<u>9,482</u>

- 1 The English name of the related company incorporated in the PRC represents the best effort by management of the Company in translating its Chinese name as it does not have official English name.

Notes:

- (a) The company is controlled by family members of Mr. Marcus Pan, a director of the Company.
- (b) In the opinion of the directors of the Company, these transactions were entered into in the normal course of business of the Group at terms mutually agreed by the parties concerned.

Notes to the Condensed Consolidated Interim Financial Information

22 RELATED PARTY TRANSACTIONS (Continued)

(ii) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Unaudited Six months ended 31 March 2014 HK\$'000	Audited Six months ended 31 March 2013 HK\$'000
Salaries, bonus and allowances	5,758	7,780
Pension	261	212
	<u>6,019</u>	<u>7,992</u>

(iii) Balances with related parties

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Due from a related company		
– Rongjin (a)	3,723	3,385
Due to a director		
– Mr. Marcus Pan (b)	<u>446,144</u>	<u>–</u>

Notes to the Condensed Consolidated Interim Financial Information

22 RELATED PARTY TRANSACTIONS (Continued)

(iii) Balances with related parties (Continued)

Notes:

- (a) The amount due from a related party is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value. The ageing analysis of the balance based on due date was as follows:

	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Current	1,880	1,810
1 – 30 days	1,843	1,575
	<u>3,723</u>	<u>3,385</u>

- (b) The amount due to a director of the Company is a transitional arrangement in financing capital expenditure and the Group expects to repay such amount upon finalisation of further bank loans in the future. The amount is unsecured, interest-free and repayable on demand.

23 EVENTS AFTER THE REPORTING PERIOD

(a) Share Award Scheme

On 16 April 2014, the Company granted an aggregate of 3,076,000 shares of the Company (the “**Awarded Shares**”) to certain eligible employees who are not connected persons pursuant to the Employees’ Share Award Scheme adopted by the Company on 3 March 2014. The vesting date of the Awarded Shares was 17 April 2014.

(b) Acquisition of Land

On 18 April 2014, the Group won the bid and acquired the land use right of another parcel of land, that land is adjacent to the seven parcels of land as mentioned in Note 2, with a total consideration of RMB19 million (equivalent to HK\$25 million).

Management Discussion and Analysis

OVERVIEW

Business and Financial Overview

The financial period ended 31 March 2014 (the “**Current Period**”) is a challenging period for PanAsialum Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”). During the Current Period we witnessed:

- that the continued over-supply of aluminium ingots due to weak performance of the Chinese economy (as evidenced by both of the China Official PMI and the HSBC China Services PMI which had been struggling around the level of 50) had caused a drop in aluminium price, which resulted in a substantial loss to our purchase contracts of aluminium ingots;
- that the widening gap of ingot prices between the higher-priced China benchmark (“**Nanhai Lingtong**”) and lower-priced London Metal Exchange (“**LME**”) during the Current Period had adversely affected our profit margin. As our purchase of ingot had been linked to Nanhai Lingtong and our sales had been linked to LME, the negative impact of this temporary price difference could not be passed to customers during the Current Period;
- that given Australia’s heavy reliance on China’s import of natural resources and that the economic transition of China from production-driven growth to consumer oriented expansion had caused significant downward adjustment to the currency exchange rate of the Australian Dollar (“**AUD**”) against the Hong Kong Dollar (“**HK\$**” or “**HKD**”), therefore our profit margin on exports to Australia were adversely affected;
- that the trend of weak orders for products with higher profit margin during the second half of the immediate preceding financial year had continued into the first quarter of the Current Period; and
- that a larger head count and high preparation costs incurred in the relocation of the Group’s production facilities to Nanyang City.

Despite of the above, during the Current Period, revenue from all major business of the Group increased from HK\$1,293 million for the six months ended 31 March 2013 (“**2013 Period**”) to HK\$1,432 million, representing an increase of 11% which reflected the dedicated works of the employees of the Group in difficult times. Nevertheless, due to the negative impact from the above-mentioned major factors, profit attributable to equity owners of the Group significantly declined from HK\$249 million for the 2013 Period to HK\$120 million for the Current Period, being a drop of 52%.

Electronics Parts

The electronics parts (“**Electronics Parts**”) segment contributed HK\$767 million to the total revenue of the Group, representing an increase of 13% as compared with HK\$679 million for the 2013 Period. The trend of weak orders for products with higher profit margin during the second half of the financial year ended 30 September 2013 continued into the first quarter of the Current Period, leading to an increase in our fixed production cost and operating expenses such as increased workforce, operating lease and related expenses that were not absorbed by the increase in orders for new Electronics Parts as originally expected. Although the decrease in sales in higher profit margin products was compensated by the orders for products with lower profit margin in the Current Period, the gross profit margin of the Electronics Parts has declined from 33% for the 2013 Period to 21% for the Current Period.

Construction and Industrial Products

The revenue and gross profit margin of the construction and industrial products (“**Construction and Industrial Products**”) segment were HK\$520 million (2013 Period: HK\$479 million) and 12% (2013 Period: 27%) for the Current Period respectively. The segment also experienced an increase in revenue and a decrease in gross profit in the Current Period. The Group had maintained its market share in Australia and revenue from the Australian market was at a similar level as compared to the 2013 Period. As the selling price of the Group’s products to the Australian market was quoted in AUD, the weak performance of AUD in the Current Period as compared to the 2013 Period had weakened the gross profit margin of the Construction and Industrial Products.

Branded OPLV Products

The Group had continued to develop its branded OPLV products (“**Branded OPLV Products**”) market in the mainland China by engaging more distributors for selling Branded OPLV Products. There was an increase in our fixed production cost such as increased workforce during the Current Period; therefore, the gross profit margin of Branded OPLV Products dropped from 26% for the 2013 Period to 18% for the Current Period despite an increase in the revenue from HK\$134 million for the 2013 Period to HK\$145 million for the Current Period.

Management Discussion and Analysis

Gross profit

Our gross profit declined by 36% from HK\$388 million for the 2013 Period to HK\$248 million for the Current Period. Our gross profit margin dropped from 30% for the 2013 Period to 17% for the Current Period due to the changes in the gross profit margin of each of our product categories as discussed above.

Distribution and selling expenses

Distribution and selling expenses increased by 28% from the 2013 Period to the Current Period. The increase was mainly due to the increase in transportation expenses for higher sales volume and an increase in travelling expenses for further development and marketing of Electronic Parts and Branded OPLV Products.

Administrative expenses

Administrative expenses rose by 16% from the 2013 Period to the Current Period. The increase was mainly due to the increase in legal and professional fees for compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange (the **"Listing Rules"**), and an increase in preparation costs for the relocation to Nanyang City such as rental and travelling expenses.

Other income

The Group was entitled to a government grant amounting to HK\$133 million as at 31 March 2014 from the People's Government of Wolong District (the **"Wolong District Government"**) which was resulted from a supportive preferential policy pursuant to the investment agreement entered into between the Group and Wolong District Government (the **"Investment Agreement"**) under which the Group is entitled to receive the incentive for its development of a high technology enterprise in Nanyang City. The Group received HK\$48 million in April 2014 and the remaining balance is expected to be received shortly.

Other losses – net

Other losses increased by 449% from the 2013 Period to the Current Period. The increase was mainly due to the increase in loss on aluminium purchase contracts and increase in exchange losses arising from the appreciation of the Renminbi (**"RMB"**) and the depreciation of the AUD during the Current Period.

Finance income and costs

Finance income climbed from HK\$133,000 for the 2013 Period to HK\$3 million for the Current Period. The rise was mainly due to the increased interest income from our higher average balances of bank deposits. Finance costs decreased by 54% for the Current Period to the 2013 Period. The decrease was mainly due to a decrease in average balances of borrowings.

Management Discussion and Analysis

Income tax (expenses)/credit

Our income tax (expenses)/credit increased from a net written-back of HK\$40 million for the 2013 Period to a tax provision of HK\$28 million for the Current Period, primarily due to the finalisation of the PRC corporate income tax assessments for the years up to 2010 during the 2013 Period and an increase in profits of the Group's PRC entities in the Current Period.

Prospects

Sales of Electronics Parts with higher profit margin had gradually picked up since the second quarter of the current financial year. Going forward, the Group will strive to continue to capture opportunities in the Electronics Parts business by widening its customer base, developing new products and further strengthening relationship with major customer. Our ongoing efforts to develop new products based on market demand are progressing and our research and development department is striving diligently to achieve the goals.

As for Construction and Industrial Products, the Group expects the sales to Australia will remain stable and the Group will continue to develop new customers in Hong Kong, Macau and other regions. We will continue to look for other opportunities in low risk financial instruments that may minimize the impact of foreign currency fluctuation to the Group's performance.

The Group will continue to further penetrate the mainland China market for Branded OPLV Products by soliciting additional performing long-term distributors in different provinces and counties and expanding our distribution network in areas beyond existing coverage. The Group is planning a new marketing campaign to increase the brand awareness in the mainland China in the second half of the financial year ending 30 September 2014. We anticipate the growth rate of Branded OPLV Products sales will continue on its current momentum and its profit margin will improve.

The Group had acquired land with area of 728,041 square meters in Nanyang City through a public tender process in March 2014. The Group further acquired a piece of land with area of 68,945 square meters in Nanyang City through a public tender process in April 2014. The Group had started its relocation of production facilities to Nanyang City since December 2013, and will continue its relocation upon completion of the first phase of the construction works on the newly acquired land in Nanyang City.

Management Discussion and Analysis

Although there has yet to be any significant evidence that those major factors, as discussed earlier in this analysis, negatively affecting the Group's performance could be improved in the short term, and the capital and other expenditures would be further increased along with the construction of new manufacturing sites and investment on new production facilities; we are optimistic that the transition period of the Chinese economy, the downward adjustment of the AUD, and the disadvantageous price gap between Nanhai Lingtong and LME, would gradually be stabilised and ready to shift to a direction which will be favourable to the Group's performance.

LIQUIDITY, FINANCIAL RESOURCES AND BANK LOANS

The Group had HK\$795 million cash and cash equivalents (as at 30 September 2013: HK\$499 million) and no fixed bank deposits (as at 30 September 2013: HK\$300 million) as at 31 March 2014. Taking into consideration the capital expenditure of the Group during the foreseeable future, the Group considers that our liquidity position is healthy.

As at 31 March 2014, the Group had HK\$323 million of short-term bank loans, whereas the amount of short-term bank loans was HK\$499 million as at 30 September 2013.

The financial ratios are disclosed on pages 4 and 5 of this interim report.

FOREIGN EXCHANGE

We continued to receive AUD and United States dollars from our sales to major customers during the Current Period, while most of the Group's purchases of raw materials are settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. We only hedged AUD exchange risk against HKD during the Current Period. We purchased the plain foreign-exchange forward contracts to hedge our exposure to foreign-exchange risk and did not enter into any high-risk derivative instrument contracts during the Current Period.

The Group did not hold any foreign-exchange forward contracts at the end of March 2014 and there were aggregate gains of HK\$0.8 million from the settlement of such contracts during the Current Period.

TAXATION

The Hong Kong Inland Revenue Department ("IRD") issued protective estimated assessments for the years of assessments 2006/07 and 2007/08 to the Company and certain of its subsidiaries. Notices of objection have been lodged and the IRD has granted unconditional holdover orders in respect of the profits tax payments demanded.

It is management's understanding that the protective estimated assessments were merely issued to keep the 2006/07 and 2007/08 assessment years open in view of the statutory time-bar, and the case is in the information collection stage. Management is of the view that the tax position taken by the Company and the relevant subsidiaries are supported by sustainable facts and technical grounds, and management will vigorously defend such tax position taken. Management is also of the view that, as at the date of this report, there is no reliable basis for estimating, and providing for any potential tax liabilities, and the corresponding penalty and interest, if any.

CHARGE ON ASSETS

Details of the Group's charge on assets are disclosed in Note 12 to the condensed consolidated interim financial information.

Other Information

CAPITAL COMMITMENTS

Capital commitments contracted by the Group but not yet provided for in the condensed consolidated interim financial information as at 31 March 2014 were approximately HK\$457 million (as at 30 September 2013: HK\$7 million), which was mainly related to the acquisition of land and machineries in the PRC. The capital expenditure will be funded by internal resources of the Group and external financing where necessary.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group had no material contingent liabilities (as at 30 September 2013: Nil).

INTERIM DIVIDEND

At the meeting of the Board held on Monday, 19 May 2014, the Board did not declare an interim dividend for the six months ended 31 March 2014.

SHARE OPTION SCHEME

On 18 January 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") to subscribe for our Shares (the "**Shares**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme is 120,000,000 Shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company dated 23 January 2013). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued Shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to any one Participant under the Share Option Scheme shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules), or the total number of shares that may be granted under the Share Option Scheme to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the Shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options may be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.

Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted.

SHARE AWARD SCHEME

The Board has approved the adoption of the share award scheme ("**Share Award Scheme**") of the Company on 3 March 2014 (the "**Adoption Date**").

Who May Join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the Share Award Scheme (the "**Selected Employee(s)**").

The Purpose and Objective of the Share Award Scheme

The purposes of the Share Award Scheme are to recognise the contributions by Selected Employees and to give incentives thereto in order to retain them for the continual operation and development of the Group as part of talent retention programme of the Group, and to attract suitable personnel for further development of the Group.

Operation of the Share Award Scheme

Bank of Communications Trustee Limited has been appointed as the trustee of the Share Award Scheme (the "**Trustee**"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, the Trustee shall purchase from the market or subscribe for the relevant number of Shares awarded out of the Company's resources and shall transfer the relevant Shares to that Selected Employee at no cost in accordance with the scheme rules.

Life of the Share Award Scheme

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board.

From the Adoption Date up to 31 March 2014, no Shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme.

Details of event regarding the Share Award Scheme subsequent to the end of the financial period are disclosed in Note 23(a) to the condensed consolidated interim financial information.

Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (the “Model Code”), were as follows:

Interests in our Company

Name of Director	Nature of Interest	Number of Securities	Approximate percentage of Shareholding
Mr. Marcus Pan ^(Note)	Settlor of a trust	900,000,000 (L)	75%
Ms. Shao Lidan	Interest by attribution	900,000,000 (L)	75%

(L) denotes long position

Note:

Mr. Marcus Pan is the settlor of The Pan Family Trust. By virtue of the SFO, Mr. Marcus Pan is deemed to be interested in the Shares held by Easy Star Holdings Limited (“Easy Star”), which is the registered holder of the 900,000,000 Shares. Easy Star is wholly owned by Marina Star Limited. The entire issued share capital of Marina Star Limited is owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust is a discretionary trust established by Mr. Marcus Pan as settlor, the beneficiaries of which are family members of Mr. Marcus Pan.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 March 2014, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of Shares	Percentage of Shareholding
Easy Star ^(Note)	Beneficial owner	900,000,000 (L)	75%
Marina Star Limited ^(Note)	Interest in controlled corporation	900,000,000 (L)	75%
HSBC International Trustee Limited ^(Note)	Trustee	900,000,000 (L)	75%

(L) denotes long position

Note:

Easy Star is the registered holder of the 900,000,000 Shares. Easy Star is wholly owned by Marina Star Limited. The entire issued share capital of Marina Star Limited is owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust is a discretionary trust established by Mr. Marcus Pan as settlor, the beneficiaries of which are family members of Mr. Marcus Pan.

CODE ON 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 high corporate governance standard. The Board is of the view that the Company has complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, except code provision A.2.1 of CG Code as explained below.

Other Information

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Marcus Pan was the chairman and also the chief executive officer of the Company responsible for overseeing the operations of the Group during such period. Due to the nature and the extent of the Group's operations and Mr. Marcus Pan's in-depth knowledge and experience in the industry and his familiarity with the operations of the Group, the Company considers that it is not preferable to find an alternative candidate to replace Mr. Marcus Pan and serve at either of the positions at this stage. The Company will continue to look for suitable candidates and will make necessary arrangement pursuant to the requirement under A.2.1 of Appendix 14 of the Listing Rules as and when necessary.

CHANGE IN DIRECTOR'S INFORMATION

Ms. Ng Bonnie Po Ling resigned as the Chief Financial Officer of the Group with effect from 16 May 2014 but will remain as an executive Director responsible for our financial affairs and corporate development.

Save as disclosed above, subsequent to the publication of the latest biographical details of the Directors in the 2013 Annual Report of the Company and up to the date of this interim report, there had been no change in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and all Directors confirmed that they have complied with the Model Code provisions for the six months ended 31 March 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its listed securities during the six months ended 31 March 2014 and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 31 March 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float of no less than 25% under the Listing Rules.

HUMAN RESOURCES AND MANAGEMENT

As of 31 March 2014, the Group had an aggregate of approximately 5,300 full-time employees (30 September 2013: about 4,400 employees). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale. The Group also operates the mandatory provident fund scheme for its Hong Kong staff and participates in the employee social security plan as required by the regulations in the PRC and ensure that all employees are provided with adequate training and continue professional opportunities according to their needs.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

On 1 October 2013, the Group entered into the Investment Agreement for the establishment of an aluminium alloy production base in Nanyang City. Pursuant to the Investment Agreement, the Group won the bids and acquired the land use rights of seven parcels of land located in Nanyang City in March 2014.

On 18 April 2014, the Group won the bid and acquired the land use right of another parcel of land that is adjacent to the seven parcels of land acquired in March 2014.

Further details of the acquisitions are disclosed in Notes 2 and 23(b) to the condensed consolidated interim financial information.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 23 to the condensed consolidated interim financial information, there is no material subsequent event undertaken by the Company or by the Group after 31 March 2014 and up to the date of this interim report.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises four members who are the independent non-executive Directors, namely Mr. Tsang Wah Kwong, Mr. Chan Nim Leung Leon, Mr. Wong Yee Shuen Wilson and Mr. Tse Chiang Kwok Nassar.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited condensed consolidated interim financial information for the six months ended 31 March 2014, and has recommended their adoption to the Board.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 31 March 2014 has not been audited, but has been reviewed by PricewaterhouseCoopers, the external auditor of the Company.

By order of the Board

Marcus Pan

Chairman and CEO

Hong Kong, 19 May 2014