Annual Report

2014

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

This Annual Report is printed on environmentally friendly paper

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# Corporate Information

## Directors

### Executive Directors

Ms. Shao Liyu (Chief Executive Officer ("**CEO**"))
(appointed as Executive Director on January 18, 2013 and CEO on April 22, 2015)
Mr. Zhu Hongtao
(appointed on January 1, 2015)
Mr. Chan Kai Lun Allan
(appointed on March 27, 2017)

### Non-executive Directors

Mr. Cosimo Borrelli (Non-Executive Chairman)
(appointed as Non-Executive Director on May 27, 2016 and Non-Executive Chairman on November 9, 2017)
Ms. Chi Lai Man Jocelyn
(appointed on May 27, 2016)

### Independent Non-executive Directors

Mr. Mar Selwyn
(appointed on February 8, 2017)
Mr. Chan Kai Nang
(appointed on February 24, 2017)
Mr. Leung Ka Tin
(appointed on February 24, 2017)

## Board Committees

### Audit Committee

Mr. Mar Selwyn (Chairman)
(appointed as member on February 8, 2017 and as Chairman on February 11, 2017)
Mr. Chan Kai Nang
(appointed on February 24, 2017)
Mr. Leung Ka Tin
(appointed on February 24, 2017)

### Remuneration Committee

Mr. Chan Kai Nang (Chairman)
(appointed as member on February 24, 2017 and Chairman on March 21, 2017)
Ms. Shao Liyu
(appointed on December 16, 2014)
Mr. Mar Selwyn
(appointed on February 8, 2017)
Mr. Leung Ka Tin
(appointed on February 24, 2017)

### Nomination Committee

Mr. Leung Ka Tin (Chairman)
(appointed as member on February 24, 2017 and Chairman on November 22, 2017)
Ms. Shao Liyu
(appointed as member on December 16, 2014)
Mr. Mar Selwyn
(appointed on February 8, 2017)
Mr. Chan Kai Nang
(appointed on February 24, 2017)

## Authorized Representatives

Ms. Shao Liyu
(appointed on October 1, 2015)
Mr. Chan Kai Lun Allan
(appointed on March 27, 2017)

## Company Secretary

Ms. Kwok Ka Huen
(appointed on November 10, 2017)

## Registered Office

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

## Stock Code

2078

## Place of Listing

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")

## Principal Place of Business in Hong Kong

31st Floor, Cambridge House, Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

## Production Bases in People's Republic of China ("PRC")

Tangerine Garden
Guangshan Road
Licheng Town
Zengcheng, Guangzhou
Guangdong Province
PRC

Long Sheng Industrial Area
No. 6 Long Sheng Road
Wolong District
Nanyang City
Henan Province
PRC

## Principal Share Registrar

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor, 24 Shedden Road,
P.O. Box 1586, Grand Cayman, KY1-1110,
Cayman Islands

# Corporate Information

## 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
China CITIC Bank, Nanyang Branch
Bank of Communications, Nanyang Branch
Bank of China Macau branch

## Independent Auditor
PricewaterhouseCoopers

## Legal Advisers
**As to Hong Kong law:**
Sidley Austin
Tony Au and Partners
P.C. Woo & Co.

**As to PRC law:**
Guangdong Ever Win Law Office

**As to Cayman Islands law:**
Conyers Dill & Pearman (Cayman) Limited

## Compliance Adviser
Titan Financial Services Limited

## Financial Adviser on matters relating to resumption of trading of the Company's shares
Asian Capital (Corporate Finance) Limited

## Website
www.palum.com

Note: Information in this section is as at the date of this report. For information on directors of the Company ("**Director(s)**") for the year ended September 30, 2014, please refer to Corporate Governance Report in this annual report.

# Financial Highlights

For the year ended September 30, 2014

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Operating results** | | |
| Revenue | **2,826,639** | 2,583,735 |
| Gross profit | **553,800** | 598,695 |
| Operating profit | **48,524** | 200,585 |
| Profit before income taxation | **31,022** | 179,700 |
| Profit attributable to equity holders of the Company | **2,565** | 213,531 |
| Cash generated from operations | **193,327** | 203,574 |
| **Financial position** | | |
| Net (debt)/cash | **(100,499)** | 319,586 |
| Equity holders' fund | **1,792,832** | 1,792,754 |
| **Earnings per share attributable to equity holders of the Company** | | |
| Basic (HK cents per share) | **0.2** | 19.5 |
| Diluted (HK cents per share) | **0.2** | 19.5 |
| **Key ratios (%)** | | |
| Gross Profit Margin | **19.6%** | 23.2% |
| Operating Profit Margin | **1.7%** | 7.8% |
| Net Profit Margin | **0.1%** | 8.3% |

# Management Discussion and Analysis

## Overview

### Business and Financial Overview

The Group is an aluminium products manufacturer based in Guangdong Province, the People's Republic of China ("**PRC**"), with a large and diverse portfolio of high quality products. We currently manufacture three categories of products: (i) Electronics Parts, (ii) Construction and Industrial Products and (iii) Branded OPLV Products.

The total operating revenue of the Group for the year ended September 30, 2014 ("**Year Under Review**") was HKD2,827 million (2013: HKD2,584 million), representing an increase of 9% as compared with the year ended September 30, 2013. The Group's overall gross profit margin decreased from 23% for the year ended September 30, 2013 to 20% for the Year Under Review; and the net profit after tax attributable to shareholders has declined substantially to HKD2.6 million (2013: HKD213.5 million). The major reasons for the decrease in gross profit margins were (i) due to increase in aluminium price; (ii) an increase in our fixed production cost and operating expenses such as increased workforce, operating lease and related expenses; and (iii) the weak performance of the Australian Dollars ("**AUD**") in the Year Under Review. The Group's net profit after tax decreased from HKD213.5 million for the year ended September 30, 2013 to HKD2.6 million for the Year Under Review was due to, inter alia, the write off of HKD187.3 million arise from the findings of the investigation conducted by the independent professional adviser which are set out in Note 2.1.1 to the Company's consolidated financial statements in this annual report and increase in legal and professional fees amounting to HKD34.9 million mainly for compliance with the Rules Governing the Listing of Securities on The Stock Exchange ("**Listing Rules**").

Comparing the Year Under Review with the year ended September 30, 2013, revenue from the Electronics Parts segment, that from the Construction and Industrial Products segment and that from the Branded OPLV Products segment has risen by 10%, 11% and 3% respectively.

Revenue contributions by respective segments for the years ended September 30, 2013 and 2014 are presented below:

| | Revenue for the year ended September 30 | | The percentage of total revenue for the year ended September 30 | |
|---|---|---|---|---|
| | **2014 (HKD million)** | 2013 (HKD million) | **2014** | 2013 |
| **Business Segment** | | | | |
| – Electronics Parts | **1,453** | 1,320 | **51.4%** | 51.1% |
| – Construction and Industrial Products | **1,041** | 940 | **36.8%** | 36.4% |
| – Branded OPLV Products | **333** | 324 | **11.8%** | 12.5% |
| Total | **2,827** | 2,584 | **100.0%** | 100.0% |
| **Geographical Segment** | | | | |
| – The PRC | **1,883** | 1,708 | **66.6%** | 66.1% |
| – Australia | **756** | 741 | **26.8%** | 28.7% |
| – North America | **23** | 24 | **0.8%** | 0.9% |
| – Hong Kong | **108** | 67 | **3.8%** | 2.6% |
| – Others | **57** | 44 | **2.0%** | 1.7% |
| Total | **2,827** | 2,584 | **100.0%** | 100.0% |

# Management Discussion and Analysis

### Electronics Parts

The Electronics Parts segment contributed HKD1,453 million to the total revenue of the Group, representing an increase of 10% as compared with HKD1,320 million for the year ended September 30, 2013. However, gross profit margin declined from 28% to 25%. This is attributable to increasing complexity in the products being produced which resulted in higher production costs per unit. Further, as a result of increasing competition in the industry, it is challenging for the Group to pass the higher production costs on to the customers.

### Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment are HKD1,041 million (2013: HKD940 million) and 16% (2013: 18%) respectively for the Year Under Review. The Group has maintained its market share in Australia and revenue from the Australia and Hong Kong market recorded a small growth as compared to the year ended September 30, 2013. As the selling price to the Australian market is in AUD, the continual weakening of AUD in 2014, together with increasing prices of aluminium and other raw materials, have reduced the gross profit margin of the Construction and Industrial Products segment.

### Branded OPLV Products

The Group has continued to develop the Branded OPLV Products market in Mainland China by engaging additional distributors for selling Branded OPLV Products. While revenue from Branded OPLV Products increased by 3% from HKD324 million for the year ended September 30, 2013 to HKD333 million for the Year Under Review, the gross profit margin decreased from 19% for the year ended September 30, 2013 to 10% for the Year Under Review. This is largely attributable to increasing product customization requested by the customers and at lower quantities per order, which increased production costs and reduced gross profit margin. Further, as a result of increasing competition in the industry, sales volumes and increase market exposure – this has resulted in the Branded OPLV Products segment to be overall loss-making.

In order to enlarge the market shares, the Group will (i) continue explore new customers especially in the Electronics Parts segment in order to reduce reliance on top customers; (ii) promote new products to Australian customers specifically those new products which are not subject to anti-dumping duties; and (iii) continue to look for other measures and opportunities that may minimize the impact of fluctuation of foreign currency to the Group's performance.

*Cost of sales*

Cost of sales increased by 15% from HKD1,985 million for the year ended September 30, 2013 to HKD2,273 million for the Year Under Review. This is in line with the 9% increase in sales from HKD2,584 million for the year ended September 30, 2013 to HKD2,827 million for the Year Under Review. The increase in cost of sales over sales is mainly attributable to the increase in aluminium price and other production costs arising from increasing product complexity and/or customization.

*Gross profit*

Our gross profit decreased by 8% from HKD599 million for the year ended September 30, 2013 to HKD554 million for the Year Under Review. Our gross profit margin decreased from 23% for the year ended September 30, 2013 to 20% for the Year Under Review is attributable to a combination of external and internal factors. Externally, unfavorable macro factors, including volatility in each of the market the Group operates, depreciation of AUD against HKD, our reporting currency, which affected the selling price and profitability of the Group's export sales to Australia. Internally, gross profit decreased due to increased production costs arising from increasing product complexity and/or customization. While the strategy and action plans highlighted above to minimize the impact on the Group's profitability are being executed, it will take some time to implement all the necessary measures.

*Distribution and selling expenses*

Distribution and selling expenses rose by 25% from HKD100 million for the year ended September 30, 2013 to HKD125 million for the Year Under Review. The increase was mainly due to the increase in transportation expenses for higher sales volume and an increase in travelling expenses for development and marketing of Electronics Parts and Branded OPLV Products.

# Management Discussion and Analysis

*Administrative expenses*

Administrative expenses rose by 84% from HKD263 million for the year ended September 30, 2013 to HKD484 million for the Year Under Review. The increase was mainly due to, inter alia, the write off of HKD187.3 million arise from the findings of the investigation conducted by the independent professional adviser which are set out in Note 2.1.1 of the Company's consolidated financial statements in this annual report and increase in legal and professional fees amounting to HKD34.9 million mainly for compliance with the requirements of the Listing Rules.

*Other income*

Other income increased from HKD1.9 million for the year ended September 30, 2013 to HKD147.8 million for the Year Under Review. The Group was entitled to a government grant amounting to HKD145.7 million during the Year Under Review 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 was entitled to receive certain government incentives for its development of a high technology plant in Nanyang City. All grants had been received by the Group during the Year Under Review.

*Other losses – net*

Other losses increased from a HKD37.4 million loss for the year ended September 30, 2013 to a HKD43.7 million loss for the Year Under Review. The increase was mainly due to the increase in loss on aluminium futures contracts.

*Finance income*

Finance income climbed by 95% from HKD1.5 million for the year ended September 30, 2013 to HKD3.0 million for the Year Under Review. The increase was mainly due to the increased interest income from our bank deposits.

*Finance costs*

Finance costs decreased by 18% from HKD22.4 million for the year ended September 30, 2013 to HKD18.3 million for the Year Under Review. The decrease was mainly due to a decrease in usage of borrowings with higher interest rate.

*Income tax (expense)/credit*

Our income tax changes from income tax credit of HKD33.8 million for the year ended September 30, 2013 to an income tax expense of HKD28.5 million for the Year Under Review was primarily due to the finalization of the PRC corporate income tax assessments for the years up to 2010 during the year ended September 30, 2013.

*Currency translation differences*

Currency translation differences were HKD2 million for the Year Under Review which was mainly attributable to the depreciation of Renminbi ("**RMB**") against the HKD.

## Prospects

Sales of Electronics Parts continued to pick up with new products and new customers being developed. The Group will continue to strengthen its research and development capability to develop more new products with high quality to meet the market demand.

We expect the sales to Australia will remain stable with positive progress. Subsequent to the year-end date, Australia subsidiaries had started operation to conduct sales. The Group will continue to look for opportunities to develop new customer base and new markets other than Hong Kong and Macau.

The Group acquired seven parcels of land with area of 728,041 square meters in Nanyang City through a public tender process in March 2014. In April 2014, the Group further acquired an adjacent land with area of 68,945 square meters in Nanyang City through a public tender process. With the new lands acquired, the Group can integrate better its existing production facilities and expand its production capacity further to meet the growing demand of high quality products. Phase 1 of the Group's integrated manufacturing facility for aluminium alloy products has officially commenced production on October 23, 2015.

# Management Discussion and Analysis

### Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at September 30, 2014 the Group had HKD387.1 million cash and cash equivalents (2013: HKD498.7 million) and had no fixed bank deposits (2013: HKD300.0 million), interest-bearing borrowings of HKD480 million denominated in RMB and United States Dollars ("**USD**") (2013: HKD499 million denominated in HKD, RMB & USD) and obligation under finance leases of HKD7.7 million denominated in HKD (2013: HKD1.3 million denominated in HKD).

### Charges on Asset

HKD9.0 million (2013: HKD9.3 million) of land use rights, HKD24.5 million (2013: HKD27.2 million) of buildings and HKD162.4 million (2013: HKD180.1 million) of trade receivables of the Group were pledged as security for the Group's bank borrowings.

## Summary of key financial ratios

| | For the year ended September 30, 2014 | 2013 |
|---|---|---|
| Gross Profit Margin (1) | **19.6%** | 23.2% |
| Return on Equity (2) | **0.14%** | 11.9% |
| Interest Coverage Ratio (3) | **2.53** | 8.95 |

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| Current Ratio (4) | **1.97** | 2.66 |
| Quick Ratio (5) | **1.63** | 2.23 |
| Gearing Ratio (6) | **27.2%** | 27.9% |
| Debt to Equity Ratio (7) | **5.6%** | 0.1% |

(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 year 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 Debt to Equity Ratio is based on total borrowings and obligations under finance leases less cash and cash equivalents divided by total equity multiplied by 100%.

## Capital Structure

As at September 30, 2014 and September 30, 2013, the Company's issued share capital was HKD120,000,000, divided into 1,200,000,000 shares of HKD0.1 each.

# Management Discussion and Analysis

## Foreign Exchange and Other Risk

We continued to receive AUD and USD from our sales to major customers during the Year Under Review, while most of the Group's purchases of raw materials were 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 hedged AUD exchange risk against HKD during the Year Under Review. We purchased plain foreign-exchange forward contracts to hedge the Group's exposure to foreign-exchange risk and did not enter into any high-risk derivative instrument contracts during the Year Under Review.

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. Any change in price 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.

## Significant Investment, Material Acquisition and Disposal

On October 1, 2013, the Group entered into an Investment Agreement with Nanyang City government for the establishment of an aluminium alloy production base in Nanyang City. Pursuant to the Investment Agreement, the Group was successful in the auctions (listing-for-sale) organized by Wolong Land Bureau and acquired the land use rights of seven parcels of land located in Nanyang City in March 2014.

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

Details of the above transactions are set out in the announcements of the Company dated October 1, 2013, March 14, 2014, March 20, 2014 and April 21, 2014.

On July 3, 2014, a subsidiary of the Company entered into an agreement with a supplier for acquisition of equipment for an aggregate consideration of RMB96.4 million (equivalent to approximately HKD121.7 million). The Group also acquired equipment and machinery from the supplier with aggregate consideration of RMB48.9 million (equivalent to approximately HKD61.8 million) in March 2014.

On February 2, 2015, a supplemental agreement was entered into with the supplier to amend the total consideration for the acquisitions from RMB145.3 million (equivalent to approximately HKD183.5 million) to RMB85.3 million (equivalent to approximately HKD106.7 million).

Details of the acquisition of equipment are set out in the announcements of the Company dated July 3, 2014 and February 12, 2015.

On August 28, 2014, PanAsia Enterprises Group Limited ("**PanAsia Enterprises**"), a wholly-owned subsidiary of the Company, and Leading Sense Limited ("**Leading Sense**"), a company incorporated in the British Virgin Islands which principally engaged in the development, production and trading of smart phones, electronics products and related parts and components, entered into a subscription agreement for the subscription of 45% of the issued share capital of the Leading Sense at the consideration of HKD17,524,000 by PanAsia Enterprises.

Ms. Ng Bonnie Po Ling, the then executive Director, had 33.3% interest in one of the share holding companies of the Leading Sense, and such share holding company holds approximately 13.6% of the issued share capital of the Leading Sense before the subscription.

Details of the subscription agreement are set out in the announcement of the Company dated August 28, 2014.

## Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at September 30, 2014 were approximately HKD163 million (2013: HKD7 million), which was mainly related to the acquisition of machineries in the PRC.

# Management Discussion and Analysis

## Contingent Liabilities

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

## Employee Information and Remuneration Policies

As at September 30, 2014, the Group employed approximately 4,700 staff (2013: 4,400). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Year Under Review, the Group incurred staff costs (including Directors' emoluments) of HKD287 million (2013: HKD309 million).

## Investigation

As disclosed in the announcement of the Company dated December 19, 2014, the auditor of the Company has identified certain matters ("**Matters**") during the course of its audit of the consolidated financial statements of the Company for the year ended September 30, 2014. As disclosed in the announcement of the Company dated December 19, 2014, the former board of directors of the Company ("**Former Board**") established an independent committee, comprising two independent non-executive Directors, namely Mr. Cheung Chun Sing Horatio and Mr. Tsang Wah Kwong ("**First Independent Committee**"). In March 2015, the First Independent Committee engaged an independent professional adviser ("**IPA**") to conduct an investigation on the Matters ("**Investigation**").

Following the departure of the two members of the First Independent Committee on October 1, 2015 and January 18, 2016 respectively, the Company established a new Independent Committee, comprising all the then independent non-executive Directors ("**Second Independent Committee**") in early February 2016 to review and follow-up the investigation report issued by the IPA on January 15, 2016. Upon the request of the auditor, the Second Independent Committee further engaged the IPA to carry out a follow-up investigation in March 2016. Upon the expiry of the term of office, all members of Second Independent Committee ceased to be independent non-executive directors of the Company and members of the Second Independent Committee in February/March 2017 despite the outstanding matters of the Investigation. The Company swiftly appointed experienced professionals to fill the resultant vacancies. A new Independent Committee, comprising all independent non-executive directors of the Company ("**Third Independent Committee**") was constituted to follow-up the Investigation. The IPA issued investigation reports on January 15, 2016 and August 30, 2017 respectively and as a result, the Investigation was completed on August 30, 2017. Details of the key findings of the Investigation are set out in the announcement of the Company dated October 6, 2017.

The Company's management has acted in compliance with and fully co-operated with the IPA during the Investigation. All information has been provided to the IPA with regards to the Investigation to the extent that such information existed and was available; interviews were arranged for the IPA to the extent that those arrangements were possible.

*Findings of the Investigation and relevant steps taken*

The findings of the Investigation that concluded on August 30, 2017 and the relevant steps taken are summarized below:

1. **Construction in Progress**

   During the Year Under Review, a series of payments totaled RMB42.7 million (equivalent to HKD54 million) were paid to a construction company incorporated in the PRC ("**Nanyang Construction Contractor**") and recorded as construction in progress ("**CIP**") in the books of PanAsia Aluminium (China) Co., Ltd. ("**PACL**") for the construction of the Nanyang factory. Upon review of the fund flows, the money paid to the Nanyang Construction Contractor were transferred to various parties, which included subcontractors of the construction work.

# Management Discussion and Analysis

However, the construction work described in the agreement signed between the Nanyang Construction Contractor and PACL was not completed and could unlikely be completed by the Nanyang Construction Contractor as the agreement has been voided.

The management of the Company (the"**Management**") is of the view that the chance of recovering the payments to the Nanyang Construction Contractor being remote. It is unlikely that these payments will derive any future economic benefit to the Group. Therefore, an impairment of RMB42.7 million (equivalent to HKD54 million) of the CIP was proposed in accordance with the Hong Kong Accounting Standards 36 "Impairment of Assets" ("**HKAS 36**"). The Management is of the view that such impairment is not substantial to cause a material adverse change to the Company's business and financial condition.

In view of the above, the Management has implemented some improvements to the internal control system in monitoring the CIP. The Group has engaged a reputable construction supervision company to monitor the construction. The supervision company would ensure the quality standard are met and report the progress of the construction to Management.

The Management has also established internal control for preventing similar incident from happening again. If any estimated construction value exceeds a certain pre-determined value and/or budget, such construction will require approval from the board of directors of the Company ("**Board**"). Contractors for all future construction must also be independent third parties. The Company will also conduct appropriate background checks against such contractors so as to identify any connected persons or related parties. The Company will also instruct its legal advisor to review the contracts between the Company and the main contractors. If appropriate, the Company will also instruct its legal advisor to review the contracts between the main contractors and the sub-contractors.

## 2. Inventory – Aluminium Ingots

The Management is aware that during the Year Under Review, former management instructed the finance team of PACL to modify the output production rate of aluminium bars maintained by the finance department which resulted in the increase in consumption records of aluminium ingots and aluminium scraps. In addition, the finance team was instructed to create weight sheets to support additional receipts of aluminium ingots purchased so that the increase in consumption of aluminium ingots and aluminium scraps would not result in a negative balance of inventories. The creation of weight sheets resulted in difference between the finance department records and warehouses department records of 1,183 tons of goods-in-transit as at September 30, 2014.

According to the IPA's investigation report, the revision caused an increase in cost of goods sold by approximately RMB43.6 million (equivalent to HKD55.4 million) for the Year Under Review. Based on the findings of the Investigation and the information available, the Current Board considers that these aluminium ingots might have been consumed in the production process. However, the relevant supporting documents and records were incomplete, such that the Group was unable to precisely explain and quantify the discrepancies identified. Under these circumstances, the Current Board considered that recording such possible loss in cost of sales in the Company's consolidated financial statements was a pragmatic way to dispose of the discrepancies identified. As a result, no adjustment was made to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of the discrepancies identified in the aluminium ingots receipt and consumption records.

In the normal course of business, the Group prepays its suppliers for purchase of aluminium ingots. As at September 30, 2014, the Group had prepaid RMB31.6 million (equivalent to HKD40 million) to a new major supplier ("**Supplier A**"), which was one of the largest aluminium ingots vendors of the Group since August 2013. The Group also had aluminium ingots in-transit of RMB15.8 million (equivalent to HKD20 million) to be received from Supplier A as at the same date. There were possible connections between Supplier A and certain of the Group's customers in Australia.

# Management Discussion and Analysis

The Group has continuously followed up with the Supplier A for subsequent delivery of aluminium ingots. However, aluminium ingots totalling only RMB16.1 million (equivalent to HKD20 million) were subsequently delivered to the Group by Supplier A. In this connection, a claim was lodged by the Group in May 2015 against Supplier A through legal proceedings in the PRC to recover outstanding balances paid to Supplier A. On December 29, 2016, the PRC court ruled in favour of the Group which had recovered a cash settlement of RMB5.4 million (equivalent to HKD6.7 million). The current board of directors of the Company comprising Ms. Shao Liyu, Mr. Zhu Hongtao, Mr. Chan Kai Lun Allan, Mr. Cosimo Borrelli, Ms. Chi Lai Man Jocelyn, Mr. Mar Selwyn, Mr. Chan Kai Nang and Mr. Leung Ka Tin ("**Current Board**") considered that it is unlikely to recover the remaining outstanding amounts of RMB26 million (equivalent to HKD33 million) in total, and had therefore made an impairment provision of an equivalent amount against such outstanding balance. The impairment provision has been included in the administrative expenses during the Year Under Review (see Note 20). The Management is of the view that such impairment is not substantial to cause material adverse change to the Company's business and financial condition.

In view of the above, the Management has implemented measures to enhance the internal control to prevent similar incident from happening in future. There are now independent review procedures adopted by the factory, operations management department and finance department. For example, the smelting production line will conduct physical count of the aluminium ingots on a monthly basis. Personnel from the smelting production line will provide its records for the operations management department to maintain. The operations management department will in turn provide the finance department with all documents supporting the receipt of aluminium ingots for the finance department to review. There are also procedures for reviewing the output rate of production of aluminium bars. The operations management department would review the same every month and prepare reports on monthly consumption analysis for aluminium ingots and aluminium scraps consumed. The Management will then review such reports. If the reports indicate that the output rate and the monthly consumption is out of the norm, the operations management department will investigate and report to the Management who will take any necessary steps to deal with any irregularity.

### 3. Relationship with Australia Customer A (and Certain Customers in Australia)

The Group had total trade receivable balances of approximately HKD412.5 million due from its major Australia Customers, namely, Australia Customer A, Australia Customer B and Customer C as at September 30, 2014.

The Management is aware that Pan Manqing ("**Ms. Pan**"), sister of Marcus Pan ("**Mr. Pan**"), the former chairman of the Company, held 70% of the shareholding of Australia Customer A, a customer of the Group during the Year Under Review, from July 11, 2014 to November 20, 2014. As such, the Management is of the view that Ms. Pan was an associate of a connected person and Australia Customer A also became a connected person of the Group. There is no evidence indicating that Ms. Pan was holding Australia Customer A on behalf of the Mr. Pan.

Total sales and rental income charged to Australia Customer A from July 11, 2014 to September 30, 2014 amounted to approximately HKD1.0 million (around 0.03% of total revenue) and HKD0.1 million (around 0.07% of total other income) respectively. The Management considered that the connected transactions with Australia Customer A during the Year Under Review was immaterial to the Group and assessed that the transactions are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.73 of the Listing Rules.

The Current Board did not consider Australia Customer A and Australia Customer B as related parties of the Group, as the Group did not have significant influence over them. Therefore, sales to Australia Customer A and Australia Customer B are exempted from the disclosure requirements under Hong Kong Accounting Standards 24 "Related Party Transactions".

The Management was not aware of any evidence indicating that Australia Customer B and Customer C were connected persons or related parties, as respectively defined in the Listing Rules and Hong Kong Financial Reporting Standards.

# Management Discussion and Analysis

As a result of the claims and winding up proceedings filed by the Group against Australia Customer A and Australia Customer B, both companies were placed into voluntary administration ("**Liquidation**") in August 2015. According to the liquidation report, Australia Customer A and Australia Customer B have had solvency problem prior to September 30, 2014. Up to the date of this report, the Group has collected and recovered from the Liquidation process a total amount of approximately AUD23.1 million (equivalent to approximately HKD157.1 million) from Australia Customer A and Australia Customer B. No recovery has been made from Customer C. An impairment provision of approximately HKD95.4 million was made as at September 30, 2014. As of the date of this report, the Liquidation is still in progress.

## 4. Mobile business (Sponsorship of a concert)

During the Year Under Review, the Group invested HKD17.5 million in Leading Sense and its subsidiaries ("**Leading Sense Group**"), which were engaged in manufacturing and trading of mobile phones ("**Mobile Business**"). In addition, the Group has also purchased certain inventories and properties, plants and equipment and provided manpower to support the production of the Mobile Business. These advances had been recorded by the Group as amount due from an associated company. The Company has obtained a legal advice that the investment in the Leading Sense Group was not a connected transaction of the Group under Chapter 14A of the Listing Rules.

The total amount paid by the Group on behalf of the Leading Sense Group was approximately HKD26.8 million, which was recorded as amount due from the Leading Sense Group in the book of the respective group companies. RMB1.1 million (equivalent to HKD1.4 million) was paid to an organizer of the concert in PRC.

Since January 2015, no management financial statements of the Leading Sense Group were submitted to the Group and the Management was not able to contact the other shareholders of the Leading Sense Group or the accountant of the Leading Sense Group. In light of the circumstances, the Management ceased funding to the Mobile Business so as to avoid further losses to be incurred.

In accordance with HKAS 36, discontinuation of the Mobile Business is an indicator of impairment for the investments in the Leading Sense Group and the properties, plants and equipment purchased.

Based on the review of the management accounts of the Leading Sense Group, the capital invested by the Group was substantially used for the purchase of inventories and machinery for production.

Due to the loss of contact with the other shareholders of the Leading Sense Group and the accountant of the Leading Sense Group, the Management is of the view that the chance of recovering the amounts invested and advanced to Leading Sense Group being remote. Considering that the Leading Sense Group was acquired by the Group in late August 2014, it would be too early at the end of Year Under Review to conclude the recoverability of these amounts. During the year ended September 30, 2015, the Group had made further advances to Leading Sense Group from which total balance due amounted to HK$47,503,000. The investment in an associated company of HK$15,399,000 and amount due from an associated company of HK$44,841,000, after taking into account the subsequent settlement received from Leading Sense Group, had been written off and charged to the administrative expenses for the year ended September 30, 2015.

# Management Discussion and Analysis

5. **Personal accounts**

The Investigation has identified certain records ("**Personal Bank Account Records**") that contain descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts which were reportedly connected to Mr. Pan (and his then family members), and a former employee who appearing to have roles or connections with the Group and key customers of Group in Australia concurrently. These personal bank accounts were operated and controlled by an employee in the finance department of PACL. Bank statements of some of these personal bank accounts were also provided by certain banks. Based on the descriptions in the Personal Bank Account Records, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. These transactions were not accounted for or recorded in the Company's consolidated financial statements.

Based on the findings of the Investigation, the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43.9 million (equivalent to HKD55.8 million) and RMB47.3 million (equivalent to HKD60.1 million) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 was approximately RMB20.4 million (equivalent to HKD26.0 million).

The Investigation also identified certain incomplete ledgers (which did not form part of the accounting records of the Group ("**Incomplete Ledgers**")) that recorded certain payments and receipts transactions, some of which were similar to those described in the Personal Bank Account Records. However, there were no underlying supporting documents or other evidence available to substantiate the nature of these transactions. Complete sets of the Personal Bank Accounts Records and the Incomplete Ledgers and the related supporting documents were reportedly no longer retained.

The Current Board is of the view that they could not obtain sufficient evidence to support that these personal bank accounts were held by individuals on behalf of the Group and that the relevant transactions conducted through these personal bank accounts were attributable to the Group. Based on the limited information available, management and the Current Board concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions should be accounted for and recorded by the Group. Accordingly, the Current Board considered that no accounting adjustments are required to be made to the Company's consolidated financial statements with regard to this matter.

# Biographical Details of Existing Directors and Senior Management

Set out below are the biographical details of the Company's director and senior management as at the date of this annual report

## Executive Directors

**Ms. Shao Liyu – CEO**

Ms. Shao Liyu ("**Ms. Shao**", formerly known as "**Shao Lidan**"), aged 49, is an executive director and the chief executive officer of the Company and a director of certain subsidiaries of the Group. Ms. Shao was appointed as an executive director of the Company on January 18, 2013 and chief executive officer of the Company on April 22, 2015. She was also the chairlady of the Company during the period from December 16, 2014 to November 8, 2017.

She has over 23 years of experience in the aluminium fabrication and distribution industry as well as years of experience in factory management and human resources. In 1992, Ms. Shao worked in Zengcheng Aluminium Alloys, focusing on human resources matters. Since 1997, Ms. Shao has been working with the Company's former chairman, Mr. Marcus Pan in the establishment, expansion and diversification of the Group's businesses. Ms. Shao graduated from Zengcheng City Xintang High School in 1986. Other than holding directorship in the Company, Ms. Shao has no directorship in any other listed company in the last three years. Ms. Shao is a beneficiary under a discretionary trust whereby 900,000,000 Shares are held by Easy Star Holdings Limited ("**Easy Star**"), representing approximately 75% of the issued share capital of the Company.

**Mr. Zhu Hongtao**

Mr. Zhu Hongtao ("**Mr. Zhu**"), aged 47, has been an executive director of the Company since January 1, 2015. He was the assistant manager of the planning department of PanAsia Aluminium (China) Co., Ltd ("**PACL**"), a wholly-owned subsidiary of the Group, from August 2012 to June 2013, and was responsible for the coordination of production and delivery of the Group's products. He was the deputy general manager of PACL from June 2013 to June 2014 and was responsible for the aluminium extrusion production of the Group. Prior to joining our Group, Mr. Zhu had over 18 years of experience in production management. Mr. Zhu graduated from the Liaoning Bohai Shipbuilding Industrial School with major in mechanical manufacturing.

**Mr. Chan Kai Lun Allan – CFO**

Mr. Chan Kai Lun Allan ("**Mr. Allan Chan**"), aged 41, has joined the Company on August 16, 2016 as the Chief Financial Officer of the Company and has been appointed an executive director of the Company since March 27, 2017. He is also currently the General Manager of overseas operations of the Group. Prior to joining the Group, Mr. Allan Chan was the Chief Financial Officer and a board member of Towona Media Group, one of the largest out-of-home advertising companies in China. He also has extensive experience in investment banking and private equity: Mr. Allan Chan was a Principal at Baring Private Equity Asia, where he structured, executed and managed Baring's investments in the Greater China. Prior to that, he worked at Jacobson Partners, a New York-based private equity firm, where he focused on leveraged buyout (LBO) of businesses across the services and manufacturing sectors. Previously, he worked at Merrill Lynch's M&A Group in New York, where he executed a wide spectrum of acquisition, divestiture and recapitalization transactions. Mr. Allan Chan holds an MBA from The Wharton School of the University of Pennsylvania. He also graduated *magna cum laude* with a BA in Economics from Yale University. He is a Chartered Financial Analyst (CFA) charterholder.

# Biographical Details of Existing Directors and Senior Management

## Non-Executive Directors

**Mr. Cosimo Borrelli – Non-Executive Chairman**

Mr. Cosimo Borrelli ("**Mr. Borrelli**"), aged 50, has been a non-executive director of the Company since May 27, 2016 and was appointed as the Non-Executive Chairman of the Company on November 9, 2017. He is a chartered accountant with over 25 years of experience with corporate restructuring and advisory work. He is currently the managing director of Borrelli Walsh Limited, a position he held since 2006. Mr. Borrelli graduated with a bachelor degree in economics from the University of Adelaide, Australia in 1989. He is a member of the Institute of Chartered Accountants in Australia and a Fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Borrelli is an independent director of Global Invacom Group Limited, a dual-listed company on the Singapore Stock Exchange ("**SGX**") and the Alternative Investment Market of the London Stock Exchange ("**AIM**"). Mr. Borrelli was a director of ARC Capital Holdings Limited, a company listed on AIM, from February 2015 to March 2015, and Jaya Holdings Limited, a company listed on SGX, from March 2011 to June 2014, Acorn International Inc, a company listed on the New York Stock Exchange from April 16, 2015 to July 17, 2017 and PT Berlain Laju Tanker Tbk, a dual-listed company on SGX and the Indonesia Stock Exchange between March 19, 2014 and July 20, 2016.

**Ms. Chi Lai Man Jocelyn**

Ms. Chi Lai Man Jocelyn ("**Ms. Chi**") aged 40, has been a non-executive director of the Company since May 27, 2016. She has extensive experience in various restructuring, dispute resolution and financial investigation assignments in Asia. Ms. Chi joined Borrelli Walsh Limited as a manager in 2006 and is now a director. Ms. Chi graduated with a bachelor of commerce degree in accounting and finance from Monash University, Australia in 2000, and obtained a Postgraduate Diploma in Advance Accounting from the same university in 2001. She obtained a master's degree in corporate finance from the Hong Kong Polytechnic University in 2005. Ms. Chi is a member of the Certified Practising Accountants of Australia and a member of the Hong Kong Institute of Certified Public Accountants.

## Independent Non-Executive Directors

**Mr. Mar Selwyn**

Mr. Mar Selwyn ("**Mr. Mar**"), aged 82, has been appointed as an independent non-executive director of the Company with effect from February 8, 2017. Mr. Mar graduated from the London School of Economics, University of London. He is a fellow member of the Institute of Chartered Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is a director of Nexia Charles Mar Fan Limited. He is also an independent non-executive director and the chairman of the audit committee of Minmetals Land Limited (Stock Code: 230), Man Yue Technology Holdings Limited (Stock Code: 894) and China Everbright International Limited (Stock Code: 257). He was formerly an independent non-executive director of China Kingstone Mining Holdings Limited until December 2015 (Stock Code: 1380). He was also an independent non-executive director and the chairman of the audit committee of Standard Bank Asia Limited. He was the President of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in 1991. Mr. Mar is an Honorary Fellow and Honorary Court Member of Lingnan University.

# Biographical Details of Existing Directors and Senior Management

**Mr. Chan Kai Nang**

Mr. Chan Kai Nang ("**Mr. Chan**"), aged 72, has been appointed as an independent non-executive director of the Company since February 24, 2017. Mr. Chan, received a Diploma in Management Studies from The University of Hong Kong in July 1976 and a bachelor's degree of Laws from the University of London (a distance learning course) in August 1990. Mr. Chan has been an associate of the Chartered Institute of Management Accountants (formerly known as The Institute of Cost and Management Accountants) in the United Kingdom since June 1972, a member of The Hong Kong Institute of Certified Public Accountants since February 1973 and an associate of the Association of Chartered Certified Accountants (formerly known as The Association of Certified Accountants) in the United Kingdom since December 1977. Mr. Chan was admitted as a fellow of The Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) in the United Kingdom since December 1982. Mr. Chan has also completed the Senior Transport Management Program of Ashridge Centre for Transport Management in March 1985 and the Executive Program of Stanford University in 1986. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) (stock code: 27) from January 14, 2003 to his retirement in May 2008. Mr. Chan was also the managing director of K. Wah Construction Materials Limited from April 9, 2003 to his retirement in May 2008 and thereafter served as its adviser until June 2014. Mr. Chan was also appointed as an independent non-executive director of ZZ Capital International Limited (formerly known as Asian Capital Holdings Limited) (stock code: 8295) from June 4, 2010 to June 17, 2016 and of Steed Oriental (Holdings) Company Limited (stock code: 8277) from September 16, 2013 to August 11, 2016. Mr. Chan is currently an independent non-executive director of Prosperity International Holdings (H.K.) Limited (stock code: 803) since August 17, 2010, Soundwill Holdings Limited (stock code: 878) since March 11, 2009 and FDB Holdings Limited (stock code: 1826) since September 16, 2015.

**Mr. Leung Ka Tin**

Mr. Leung Ka Tin ("**Mr. Leung**"), aged 63, has been appointed as an independent non-executive director of the Company since February 24, 2017. Mr. Leung holds a Diploma in Financial Management, and has 35 years of management experience in banking, treasury operation, project finance, telecommunication, corporate finance, logistics and human resource management. He was a member of the senior management team in financial institutions including FPB Asia Limited, Nedcor (Asia) Limited, BfG: Finance Asia Limited, and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung's experience covers both professional management and entrepreneurship. Mr. Leung joined SSC Mandarin Group in February 2010, a corporate financial advisory firm. During the period from February 2012 to May 2013, Mr. Leung joined Chun On Fund Management Limited and Galaxy Asset Management Limited as Project Head responsible for two gold mines in the People's Republic of China and two diamond mines in South Africa respectively. Mr. Leung was appointed as an independent non-executive director of Wealth Glory Holdings Limited (stock code: 8269) from July 23, 2014 to August 3, 2016 and Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (stock code: 264) from September 21, 2015 to December 23, 2015. Mr. Leung was also the executive director of China Kingstone Mining Holdings Limited (stock code: 1380) from July 14, 2015 to December 22, 2015. Mr. Leung is currently the director of Galaxy Private Investment Management (H.K.) Limited and the chief executive officer and director of SSC Joyspring Mining (PTY) Limited which owns two diamond mines in Republic of South Africa. Besides, Mr. Leung is an independent non-executive director of KEE Holdings Company Limited (stock code: 2011) since February 17, 2016.

## Senior Management

**Mr. Wong Kwok Wai Eddy – Director of Greater China and International Business**

Mr. Wong Kwok Wai Eddy, aged 53, is the director of Greater China and International Business of the Group. He is mainly responsible for business development of the Group. He joined the Group since 2005. Mr. Wong has been the general sales manager of the Company since 2008 and the marketing director of PanAsia Aluminium (Hong Kong) Co., Ltd. since 2005. Mr. Wong had over 20 years of experience in marketing and promoting, sales and business development. Mr. Wong graduated from Hong Kong Tai Tung Middle School in 1984.

# Directors' Report

This report is presented by the Current Board based on the information available to them for the year ended September 30, 2014.

## General Information

The Group is principally engaged in the manufacturing and trading of aluminium products. The principle activity of the Company is investment holding. Detail of the principle activities of the Company's principle subsidiaries are set out in Note 17 to the consolidated financial statements. The Company's shares were listed on the main board of the Stock Exchange on February 5, 2013 (the "**Listing Date**"). Trading in the Company's shares has been suspended since December 17, 2014.

## Business Review and Performance

The business review for the Company during the Year Under Review is set out in the section of Management Discussion and Analysis of this report on pages 5 to 14.

## Results and Distribution

No interim dividend was declared for the six months ended March 31, 2014 (2013: HK20 cents per share) and the Current Board does not recommend payment of a final dividend in respect of the Year Under Review (2013: Nil).

There is no arrangement pursuant to which a shareholder of the Company (the "**Shareholder**") has waived or agreed to waive any dividends.

The results of the Group for the Year Under Review are set out in the consolidated statement of comprehensive income on page 49.

## Financial Statements

The statements of the results, assets and liabilities of the Group for the last five financial years are set out on pages 49 to 130 of this report. This summary does not form part of the audited consolidated financial statements to the Group.

## Reserves

Movements in the reserves of the Group during the Year Under Review are set out on page 53.

## Distributable Reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's articles of association (the "**Articles of Association**"). With the sanction of an ordinary resolution, dividends may be declared and paid out of share premium account of any other fund or account which can be authorized for this propose. As at September 30, 2014, the Company had distributable reserves of approximately HKD1,005 million (2013: HKD1,006 million).

## Share Capital

Changes in share capital of the Company for the Year Under Review and as at that date are set out in Note 25 to the consolidated financial statements.

# Directors' Report

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares to existing Shareholders on a pro-rata basis.

## Share Option Scheme

On January 18, 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options for the subscription of our shares 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**") 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 ("**Global Offering**", as defined in the prospectus dated January 23, 2013 (the "**Prospectus**"). 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 in general meeting, the number of shares that may be granted to any one Participant under the options 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 options 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 shall 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) nominal value of the share.

Each grantee shall pay a consideration of HKD1.00 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 Former Board approved the adoption of the share award scheme ("**Share Award Scheme**") of the Company on March 3, 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 recognize 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 program 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.

# Directors' Report

The Share Award Scheme came into effect on March 3, 2014, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; or (ii) such date of early termination as determined by the Board.

From March 3, 2014 up to September 30, 2014, 5,969,000 Shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme.

A total of 5,374,000 Shares were granted to Employees during the Year Under Review, details of which are set out in Note 26 to the consolidated financial statement.

## Major Suppliers and Customers

During the Year Under Review, aggregate sales attributable to the Group's five largest customers comprised approximately 77% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 51% of the Group's total sales. The aggregate purchases during the Year Under Review attributable to the Group's five largest suppliers were approximately 52% of the Group's cost of sales and the purchases attributable to the Group's largest supplier were approximately 19% of the Group's cost of sales.

So far as it is known to the Directors, none of the Directors, nor any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

## Bank Borrowings

Particulars of bank borrowings of the Group as at September 30, 2014 are set out in Note 30 to the consolidated financial statements.

## Donations

Charitable and other donations made by the Group during the Year Under Review amounted to approximately HKD0.3 million (2013: HKD1 million).

## Property, Plant and Equipment

During the Year Under Review, the Group held property, plant and equipment of approximately HKD582 million. Details of the movements are set out in Note 15 to the consolidated financial statements.

## Purchase, Sale or Redemption of the Company's Shares

The Company and any of its subsidiaries have not redeemed any of its listed securities during the Year Under Review. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Year Under Review.

## Directors

The directors of the Company in office during the Year Under Review:

### Executive Directors

Mr. Marcus Pan (Chairman and CEO)
Ms. Shao Liyu (formerly known as Ms. Shao Lidan)
Mr. Fung Chi Kong Felix (appointed on October 1, 2013)
Mr. Lee Hui Fu (appointed as Executive Director on October 1, 2013,
re-designated as Non-Executive Director on June 18, 2014)
Mr. Xing Hui Min (appointed as Executive Director on July 3, 2014)
Ms. Ng Bonnie Po Ling (appointed as executive Director on October 1, 2013, as alternate Director to
Mr. Marcus Pan on June 25, 2014 and as Deputy Chief Executive Officer on July 3, 2014)

# Directors' Report

### Non-Executive Directors
Mr. Lee Hui Fu (appointed on October 18, 2014)

### Independent Non-Executive Directors
Mr. Tsang Wah Kwong
Mr. Chan Nim Leung Leon
Mr. Wong Yee Shuen Wilson (resigned on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (resigned on July 31, 2014)
Mr. Liu Hoi Keung* (appointed on July 28, 2014)

## Board Committees

### Audit Committee
Mr. Tsang Wah Kwong (Chairman)
Mr. Chan Nim Leung Leon
Mr. Wong Yee Shuen Wilson (resigned on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (resigned on July 31, 2014)
Mr. Liu Hoi Keung* (appointed on July 28, 2014)

### Remuneration Committee
Mr. Chan Nim Leung Leon (Chairman)
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson (resigned on July 4, 2014)
Mr. Marcus Pan
Mr. Tse Chiang Kwok Nassar (resigned on July 31, 2014)
Mr. Liu Hoi Keung* (appointed on July 28, 2014)

### Nomination Committee
Mr. Marcus Pan (Chairman)
Mr. Chan Nim Leung Leon
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson (resigned on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (resigned on July 31, 2014)
Mr. Liu Hoi Keung* (appointed on July 28, 2014)

* re-designated as an executive Director and joint CEO on October 1, 2014.

There have been changes in the Former Board of the Company after the Year Under Review (details of which are stated in the section "**Subsequent Events after the Reporting Period**").

This Report is prepared on the basis of information available to the Current Board.

## Directors' Service Contracts
Pursuant to Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

# Directors' Report

Ms. Shao Liyu has entered into a service contract with the Company for a term of 3 years with effect from February 1, 2016, Mr. Zhu Hongtao has entered into a service contract with the Company for a term of 3 years with effect from January 1, 2016 and Mr. Chan Kai Lun Allan has entered into a service contract with the Company for an initial term of three years with effect from March 27, 2017.

Mr. Cosimo Borrelli and Ms. Chi Lai Man Jocelyn have each entered into a letter of appointment with the Company for an initial term of 3 years with effect from May 27, 2016.

Mr. Mar Selwyn has entered into a letter of appointment with the Company for an initial term of one year with effect from February 8, 2017 and Mr. Chan Kai Nang and Mr. Leung Ka Tin have each entered into a letter of appointment with the Company for an initial term of one year with effect from February 24, 2017.

During the Year Under Review, none of the service contract entered into between the Company and the Directors is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, subject to the relevant statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto.

## Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed under the heading "**Connected Transactions**", there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, and subsisted at the end of the Year Under Review or at any time during the Year Under Review save as disclosed under Note 33 to the consolidated financial statements.

## Independence Confirmation

The Company has received confirmation from the Independent Non-executive Directors (who remained in position as at September 30, 2014) as to their independence.

## Directors' Rights to Purchase Shares or Debentures

At no time during the Year Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Management Contracts

No contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year Under Review.

# Directors' Report

## Interests and Short Positions of the Directors and Chief Executives of the Company in the Shares, Underlying Shares and Debentures

As at September 30, 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**"), are as follows:

### Long Position in the Share

| Name of Director | Nature of Interest | Number of Securities | Approximate percentage of Shareholding |
|---|---|---|---|
| Mr. Marcus Pan *(Note 1)* | Founder of a discretionary trust | 900,000,000 | 75% |
| Ms. Shao Liyu *(Note 2)* | Interest of spouse | 900,000,000 | 75% |

*Notes:*

(1) Mr. Marcus Pan was the settlor of The Pan Family Trust. By virtue of the SFO, Mr. Marcus Pan was deemed to be interested in the Company's shares held by Easy Star Holdings Limited ("**Easy Star**"), which was the registered holder of the 900,000,000 shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited was owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust established by Mr. Marcus Pan as settlor, the beneficiaries of which were family members of Mr. Marcus Pan.

(2) Ms. Shao Liyu was the spouse of Mr. Marcus Pan at the material time and was deemed to be interested in all the shares in which Mr. Marcus Pan was interested by virtue of the SFO.

## Substantial Shareholders' Interests and Short Positions

As at September 30, 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 Divisions 2 and 3 of Part XV of the SFO:

### Long Position in the Share

| Name | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|
| Easy Star *(Note)* | Beneficial Owner | 900,000,000 | 75% |
| Marina Star Limited *(Note)* | Interest in controlled corporation | 900,000,000 | 75% |
| HSBC International Trustee Limited *(Note)* | Trustee | 900,000,000 | 75% |

*Note:*

Easy Star was the registered holder of the 900,000,000 shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited was owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust established by Mr. Marcus Pan as settlor and the beneficiaries included Ms. Shao Liyu.

# Directors' Report

## 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 during the Year Under Review.

## Corporate Governance
Please refer to the Corporate Governance Report in this annual report of the Company for the Year Under Review.

## Disclosure under Rule 13.20 of the Listing Rules
The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

## Directors' Interests in Competing Business
The Directors were not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during Year Under Review.

## Material merger, acquisitions and investments
On October 1, 2013, the Group entered into an investment agreement with the Wolong District Government of the PRC, pursuant to which the Group conditionally agreed to invest an aggregate sum of RMB3,000 million (equivalent to approximately HKD3,780 million) in Nanyang City, Henan Province, the PRC, for the establishment of an aluminium alloy production base.

Pursuant to the investment agreement, the Group succeeded in the auctions (listing-for-sale) organized by Wolong Land Bureau and acquired the land use rights of eight parcels of land located in Nanyang City for aggregate cash consideration of approximately RMB197 million (equivalent to approximately HKD250 million) during the Year Under Review. The consideration for the eight parcels of land and directly attributable costs including tax and other professional fees have been settled as of the date of this report.

For details, please refer to the announcements of the Company dated October 1, 2013, March 14, 2014, March 20, 2014 and April 21, 2014, respectively.

On July 3, 2014, the Group entered into the agreement with a machinery manufacturing company established in the PRC, pursuant to which the Group would acquire from the machinery manufacturing company, the aluminium extrusion machines for an aggregate consideration of RMB96.4 million (equivalent to approximately HKD122 million) (the "**July Acquisition**").

Given that the Group had acquired certain extrusion equipment and machinery from the same machinery manufacturing company in March 2014 for an aggregate consideration of RMB48.9 million (equivalent to approximately HKD61.8 million) (the "**March Acquisition**"), the July Acquisition was aggregated with the March Acquisition pursuant to Rule 14.22 of the Listing Rules.

On February 2, 2015, the Group entered into a supplemental agreement with the machinery manufacturing company to amend the total consideration for the March Acquisition and the July Acquisition. Pursuant to the supplemental agreement, the total consideration for the March Acquisition and the July Acquisition has been adjusted from RMB145.3 million (equivalent to approximately HKD181.8 million) to RMB85.3 million (equivalent to approximately HKD106.7 million).

For details, please refer the announcements of the Company dated July 3, 2014 and February 12, 2015.

# Directors' Report

## Connected Transactions

### Overview

Following the listing of the shares of the Company on the Stock Exchange on the Listing Date, the transactions between the Group and certain connected persons of the Group became continuing connected transactions. The Company has applied for and the Stock Exchange has granted a waiver from, among others, strict compliance with the announcement requirements in respect of certain continuing connected transactions of the Group. Details of the continuing connected transactions of the Group are as follows:

*Continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement*

(i) Purchase of packaging materials from Zhanyao Packaging

PACL has been purchasing expandable polyethylene from Foshan Nanhai Zhanyao Packaging Materials Factory ("**Zhanyao Packaging**") as part of the Group's ordinary and usual course of business in its production requirements. Zhanyao Packaging is principally engaged in the manufacturing of packaging materials. As Zhanyao Packaging is owned by Mr. Lin Jinkai, an uncle of Mr. Marcus Pan, Zhanyao Packaging is an associate of Mr. Marcus Pan, who was our chairman and CEO during the Year Under Review. Transactions between Zhanyao Packaging and PACL constituted continuing connected transactions of the Company.

On January 18, 2013, PACL entered into a master agreement with Zhanyao Packaging (the "**Zhanyao Master Agreement**") pursuant to which PACL agreed to purchase packaging materials from Zhanyao Packaging for a term of three years subject to an annual cap not exceeding HKD1.5 million, HKD1.8 million and HKD2.0 million for each of the years ending September 30, 2013, 2014 and 2015, respectively. The annual caps were determined with reference to (i) the historical amount of purchases from Zhanyao Packaging; and (ii) the projected increase in demand for packaging materials. The annual caps for the years ending September 30, 2013, 2014 and 2015 were based on a 15% increment from the immediate preceding year as we expected our annual sales to grow by at least 15% annually, and our demand for packaging materials would generally increase at a rate similar to the rate of increase in our sales. The packaging materials to be purchased from Zhanyao Packaging would be based on prevailing market rates and on normal commercial terms. The increases in the annual caps for the three years ending September 30, 2015 were based on the historical transaction amounts and the expected growth in demand of packaging materials by PACL.

Following the new amendments to the Listing Rules on connected transactions came into effect on July 1, 2014, the continuing connected transactions under the Zhanyao Master Agreement have become exempt continuing connected transactions pursuant to the new Rule 14A.76(1)(c) under the Listing Rules, as the annual cap for the transactions under the Zhanyao Master Agreement was under HKD3 million. Accordingly, the Company applied the exemption under Rule 14A.76(1)(c) to the continuing connected transactions under the Zhanyao Master Agreement, and such transactions was no longer reported and subject to annual review in the annual reports of the Company.

During the Year Under Review, the amount of packaging materials that the Group has purchased from Zhanyao Packaging amounted to HKD2.2 million, which was within the annual cap of HKD3 million set under the Zhanyao Master Agreement.

(ii) Purchase of packaging materials from Zhongxing Packaging

PACL has been purchasing plastic cling wrap from Foshan Nanhai Dali Zhongxing Paper and Plastic Packaging Products Factory ("**Zhongxing Packaging**") as part of the Group's ordinary and usual course of business in its production requirements. Zhongxing Packaging is principally engaged in the manufacturing of plastic packaging materials. As Zhongxing Packaging is owned by Ms. Kuang Shunming, an aunt of Mr. Marcus Pan, Zhongxing Packaging is an associate of Mr. Marcus Pan, who was our chairman and CEO during the Year Under Review. Transactions between Zhongxing Packaging and PACL constitute continuing connected transactions of the Company.

# Directors' Report

On January 18, 2013, PACL entered into a master agreement with Zhongxing Packaging (the "**Zhongxing Master Agreement**") pursuant to which PACL agreed to purchase packaging materials from Zhongxing Packaging for a term of three years subject to an annual cap not exceeding HKD3.3 million, HKD3.7 million and HKD4.3 million for each of the years ending September 30, 2013, 2014 and 2015, respectively. The annual caps were determined with reference to (i) the historical amount of purchases from Zhongxing Packaging; and (ii) the projected increase in demand for packaging materials. The annual caps for the years ending September 30, 2013, 2014 and 2015 were based on a 15% increment from the immediate preceding year as we expected our annual sales to grow by at least 15% annually, and our demand for packaging materials would generally increase at a similar rate as our sales. The packaging materials purchased from Zhongxing Packaging would be based on prevailing market rates and on normal commercial terms. The increases in the annual caps for each of the three years ending September 30, 2015 were based on the historical transaction amounts and the expected growth in the demand of packaging materials by PACL.

During the Year Under Review, the amount of packaging materials that the Group has purchased from Zhongxing Packaging amounted to HKD2.9 million, which is within the annual cap of HKD3.7 million set under the Zhongxing Master Agreement.

(iii) Supply of products to Rongjin Curtain Wall

PACL has been supplying aluminium products to Guangzhou Rongjin Curtain Wall Co., Ltd. ("**Rongjin Curtain Wall**") for curtain wall projects undertaken by Rongjin Curtain Wall as part of the ordinary and usual course of business of the Group. Rongjin Curtain Wall is principally engaged in the assembly, fabrication and installation of window systems. As Rongjin Curtain Wall is owned 25% by Mr. Pan Xieguang, the father of Mr. Marcus Pan, 45% by Mr. Pan Gaolin, the brother-in-law of Mr. Marcus Pan, and 30% by Ms. Kuang Shunyou, the mother of Mr. Marcus Pan, Rongjin Curtain Wall is an associate of Mr. Marcus Pan, who was our chairman and CEO during the Year Under Review. Transactions between Rongjin Curtain Wall and PACL constituted continuing connected transactions of the Company.

On January 18, 2013, PACL entered into a master agreement with Rongjin Curtain Wall (the "**Rongjin Master Agreement**") pursuant to which PACL agreed to supply aluminium products to Rongjin Curtain Wall for a term of three years subject to an annual cap not exceeding HKD33.5 million, HKD35.2 million and HKD37.0 million for each of the years ending September 30, 2013, 2014 and 2015, respectively. The annual caps were determined with reference to (i) the historical amount of supplies to Rongjin Curtain Wall; and (ii) the projected increase in demand from Rongjin Curtain Wall for aluminium products. The annual caps for the years ending September 30, 2013, 2014 and 2015 were based on a 5% increment from the immediate preceding year, which was based on the anticipated increase in demand for aluminium products from Rongjin Curtain Wall for the three years ending September 30, 2013, 2014 and 2015. The products to be supplied to Rongjin Curtain Wall would be based on prevailing market rates and on normal commercial terms. The increases in the annual caps for the three years ending September 30, 2015 were based on the historical transaction amounts and the expected growth in the supply of aluminium products to Rongjin Curtain Wall.

During the Year Under Review, the amount of aluminium products sold by the Group to Rongjin Curtain Wall amounted to HKD25.6 million, which is within the annual cap of HKD35.2 million set under the Rongjin Master Agreement.

# Directors' Report

### Confirmations

The independent non-executive Directors have reviewed the continuing connected transactions entered into by the Company for (i) purchases of packaging materials from Zhongxing packaging; and (ii) supplies of products to Rongjin Curtain Wall, and confirmed that the transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. under normal commercial terms or not less favorable terms that the Group received from or provided services to an independent third party or obtained goods from an independent third party; and

3. in accordance with the agreements related to the above continuous connected transactions, the terms of which were fair and reasonable and for the overall benefit of the Shareholders.

Based on the work performed, the auditor of the Company has issued a report of its factual findings to the Current Board confirming that the aforesaid continuing connected transactions:

1. nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the aforesaid continuing connected transactions, nothing has come to auditor's attention that causes them to believe that the aforesaid continuing connected transactions have exceeded the annual cap as set by the Company.

## Employee and Remuneration Policies

As of September 30, 2014, the Group had an aggregate of approximately 4,700 full-time 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.

# Directors' Report

## Use of Proceeds from Initial Public Offering

In February 2013, the Group completed its Listing and raised net proceeds of HKD1,105 million. As at September 30, 2014, the Company had used HKD926 million (or 84%) from such proceeds.

The table below sets out the Company's planned use of the net proceeds at the time of Listing, the planned use of the net proceeds adjusted on October 1, 2013, its use of such net proceeds during the Year Under Review and the balance of net proceeds as at September 30, 2014:

| | Planned use of proceeds at the time of Listing (HKD million) | Planned use of proceeds revised on October 1, 2013 (HKD million) | Amount of net proceeds utilized as at September 30, 2013 (HKD million) | Amount of net proceeds utilized during the year under review (HKD million) | Balance of net proceeds as at September 30, 2014 (HKD million) |
|---|---|---|---|---|---|
| Establishment of a new production line for the planned manufacture of aluminium cases and stands for integrated desktop computers and expansion of general aluminium extrusion capacity | 497.2 | 530.0 | – | (351.3) | 178.7 |
| Purchase of additional CNC machining centers for the planned manufacture of aluminium unibody chassis for laptop computers | 55.2 | 78.7 | (78.7) | – | – |
| Relocation of main plant to a new site | 276.3 | 220.0 | – | (220.0) | – |
| Repayment of short-term bank borrowings | 221.0 | 221.0 | (221.0) | – | – |
| Working capital and other general corporate purposes | 55.3 | 55.3 | (55.3) | – | – |
| **Total** | 1,105.0 | 1,105.0 | (355.0) | (571.3) | 178.7 |

The Group held the unutilized net proceeds in short-term deposits or time deposits with reputable banks in Hong Kong, Macau and the PRC as at September 30, 2014.

## Closure of Register of Members

The register of members of the Company will be closed from Friday, January 5, 2018 to Wednesday, January 10, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, January 10, 2018 ("**AGM**"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, January 4, 2018.

## Taxation

Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

# Directors' Report

## Compliance with Regulation

It was noted that the Company might have breached certain rules and regulations during the year, details of which are set out in the heading "Investigation" of this report on pages 10 to 14.

## Litigation

(i) *Winding up petitions against Australia Customer A and Australia Customer B*

On July 20, 2015, the Group filed a claim with a court in Australia and issued winding up petitions against Australia Customer A and Australia Customer B, both were customers of the Group during the Year Under Review. Australia Customer A and Australia Customer B entered into voluntary administration on August 10, 2015. Australia Customer B was agreed to be wound up while the winding up hearing in respect of Australia Customer A was adjourned to allow for the voluntary administration of Australia Customer A to proceed. Write-off on trade receivables due by Australia Customer A and Australia Customer B of approximately HKD84,362,000 was made during the Year Under Review. Details in relation to the write-off are set out in Note 20 to the consolidated financial statements of this annual report.

(ii) *Litigation with an aluminium ingot supplier*

In May 2015, a claim was lodged by the Group against a major aluminium ingot supplier ("**Supplier A**") through legal proceedings to recover the outstanding balances paid to Supplier A since the Group had not received all its purchases of aluminium ingots from the Supplier A. On December 29, 2016, the claim was ruled in favor of the Group. Subsequently, the Group entered into a settlement arrangement with Supplier A whereby Supplier A (or Supplier A shareholder) to pay HKD6,866,000 and dispose of the 8,885,000 shares in the Company held by Supplier A's shareholder to the Company or designated person as instructed by the Company. HKD6,866,000 was received by the Group from Supplier A's shareholder in August 2017. However, management considered it is impracticable that the 8,885,000 shares in the Company held by Supplier A's Shareholder could be disposed of in view of the suspension of trading of shares of the Company and it is unlikely to estimate the fair value of the shares to be disposed of at this stage. Accordingly, the Group had made an impairment provision against the outstanding prepayment which had been charged to administrative expenses for the Year Under Review.

In addition, the Group had aluminium ingots in-transit of HKD20,175,000 purchased from Supplier A of which only HKD2,458,000 had been delivered to the Group subsequent to Year Under Review but before the filing of claim in May 2015. The Group made an impairment provision for the undelivered aluminium ingots in-transit of HKD17,654,000, recorded in administrative expenses for the Year Under Review.

## Subsequent Events after the Reporting Period

### (a) Announcing and commencing the implementation of construction project

On April 8, 2015, PACL entered into a construction contract with 河南冠亞建築工程有限責任公司 ("**Contractor**") by constructing and building three CNC workshops of the Group's production facility at Nanyang, with total consideration of approximately RMB56.9 million (equivalent to approximately HKD71.9 million). On November 17, 2015, PACL further entered into another construction contract with the Contractor by constructing and building a workshop at the Group's production facility at Nanyang, with total consideration of approximately RMB46.6 million (equivalent to approximately HKD57.6 million). For details, please refer to the announcements of the Company dated April 8, 2015 and November 17, 2015.

### (b) Investment in Xinjiang

On April 10, 2015, PanAsia Aluminium (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with the Jimsar County Government by establishing and investing in a new wholly owned subsidiary with an estimated aggregate capital of at least RMB200 million (equivalent to approximately HKD254 million) at Xinjiang to produce high-end aluminium rods and aluminium rolled products. On December 18, 2015, the Group entered into an agreement with Jimsar Bureau of Land and Resources吉木薩爾縣國土資源局("**JBLR**") by purchasing a piece of land in that region as consideration of approximately RMB3.6 million (equivalent to approximately HKD4.4 million), which was waived by the JBLR. For details, please refer to the announcement of the Company dated April 13, 2015.

# Directors' Report

**(c) Change of the financial year end date**

On September 30, 2016, the Board approved that the financial year end date of the Company will be changed from September 30, to December 31. Accordingly, the financial period will cover a period of fifteen months from October 1, 2015 to December 31, 2016.

**(d) Changes of Directors subsequent to reporting period up to the date of this report are as follows:**

- Mr. Marcus Pan (ceased as CEO on October 1, 2014, ceased as Chairman and executive Director on December 15, 2014 as he considered that he did not have personal capacity to continue with the task.)

- Ms. Shao Liyu (appointed as the chairlady of the Company on December 16, 2014 and ceased on November 9, 2017, appointed as the CEO on April 22, 2015)

- Ms. Ng Bonnie Po Ling (appointed as the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015 and ceased as an executive Director on October 1, 2015 as the expiration of her term.)

- Mr. Chan Nim Leung Leon (ceased as an independent non-executive Director on December 4, 2014 due to his other business commitments which require more of his time.)

- Mr. Fung Chi Kong Felix (ceased as an executive Director on October 1, 2014 as he had to devote more time to handle his personal affairs.)

- Mr. Liu Hoi Keung (re-designated from an independent non-executive Director to an executive Director and the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015, re-designated as a non- executive Director on July 17, 2015, and ceased as a Director on October 1, 2015 as the expiration of his term.)

- Mr. Xing Hui Min (ceased as an executive Director on January 1, 2015 as he intended to focus on the production management of the Group.)

- Mr. Zhu Hongtao (appointed as an executive Director on January 1, 2015)

- Mr. Lee Hui Fu (ceased as a non-executive Director on January 1, 2015 due to his other business commitments which required more of his attention.)

- Mr. Ma Yu Yan (appointed as an executive Director on July 1, 2015, ceased on May 9, 2017 due to health reason.)

- Mr. Cheung Chun Sing Horatio (appointed as an independent non-executive Director on October 1, 2014 and ceased on October 1, 2015 as the expiration of his term.)

- Mr. Tsang Wah Kwong (ceased as an independent non-executive Director on January 18, 2016 as he required more time to pursue his other business engagements.)

- Mr. Tsang Ming Chit Stanley (appointed as an independent non-executive Director on February 11, 2015 and ceased on February 11, 2016 as he required more time to pursue his other business engagements.)

- Mr. Ching Yu Lung (appointed as an independent non-executive Director on October 1, 2015 and ceased on February 28, 2016 as he would like to devote more time to his other work commitments.)

# Directors' Report

- Mr. Choi Tze Kit Sammy (appointed as an independent non-executive Director on February 11, 2016 and ceased on February 11, 2017 as the expiration of his term.)

- Mr. Lam Kwok Fai Osmond (appointed as an independent non-executive Director on March 21, 2016 and ceased on March 21, 2017 as the expiration of his term.)

- Mr. Tang Warren Louis (appointed as an independent non-executive Director on March 21, 2016 and ceased on March 21, 2017 as the expiration of his term.)

- Mr. Cosimo Borrelli (appointed as a non-executive Director on May 27, 2016 and appointed as the Non-Executive Chairman of the Company on November 9, 2017)

- Ms. Chi Lai Man Jocelyn (appointed as a non-executive Director on May 27, 2016)

- Mr. Mar Selwyn (appointed as an independent non-executive Director on February 8, 2017)

- Mr. Chan Kai Nang (appointed as an independent non-executive Director on February 24, 2017)

- Mr. Leung Ka Tin (appointed as an independent non-executive Director on February 24, 2017)

- Mr. Chan Kai Lun Allan (appointed as an executive Director on March 27, 2017)

**(e) Conditions for the Company's Resumption for Trading. Trading in the Shares has been suspended since December 17, 2014:**

As announced in the Company's announcement dated March 17, 2015, the Stock Exchange has imposed the following conditions for the resumption of trading in the shares of the Company:

(a) the Company conducts an appropriate investigation on the issues raised by the auditor of the Company during the course of their audit of the results of the Company for the Year Under Review, disclose the findings and take any remedial actions;

(b) the Company publishes all outstanding financial results and addresses any audit qualifications;

(c) the Company demonstrates that it has put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and

(d) the Company informs the market of all material information.

As announced by the Company on December 19, 2014, the Company has set up a First Independent Committee comprised two independent non-executive directors of the Company, Mr. Tsang Wah Kwong (as chairman of the committee) and Mr. Cheung Chun Sing Horatio, to supervise and oversee the Investigation.

As announced by the Company on March 17, 2015, the First Independent Committee has engaged an independent legal adviser and appointed IPA to perform the Investigation.

Following the departure of Mr. Cheung Chun Sing Horatio on October 1, 2015, Mr. Tsang Wah Kwong became the sole member of the Independent Committee. The Independent Committee was dissolved on January 8, 2016 after noting the departure of the sole member of the committee, Mr. Tsang Wah Kwong with effect from January 18, 2016.

# Directors' Report

The Company received a report on Investigation from the IPA on January 18, 2016.

The Independent Committee was re-formed on February 11, 2016 when Mr. Choi Tze Kit Sammy, an independent non-executive Director was appointed to follow up any outstanding matters of the Investigation and engaging the IPA to carry out further investigation and related work. On March 21, 2016, Mr. Lam Kwok Fai Osmond and Mr. Tang Warren Louis were appointed as independent non-executive Directors, and became members of the Independent Committee. Subsequently, there were following changes in the members of the Independent Committee:

Mr. Mar Selwyn (appointed on February 8, 2017)
Mr. Chan Kai Nang (appointed on February 24, 2017)
Mr. Leung Ka Tin (appointed on February 24, 2017)
Mr. Choi Tze Kit Sammy (appointed on February 11, 2016 and ceased on February 11, 2017)
Mr. Lam Kwok Fai Osmond (appointed on March 21, 2016 and ceased on March 21, 2017)
Mr. Tang Warren Louis (appointed on March 21, 2016 and ceased on March 21, 2017)

The IPA finalised and issued the investigation report to the Independent Committee on the findings of the Investigation on August 30, 2017 and based on which, the Independent Committee, with the assistance of its legal adviser, has since completed the report of the Independent Committee setting out the key findings of the Investigation and its recommendations presented to the Current Board on September 1, 2017.

The findings of the Investigation are set out by the announcement of the Company dated October 6, 2017 and the related finding and the management's assessments are set out from pages 10 to 14 of this report.

In May 2017, the Company engaged Crowe Horwath (HK) Corporate Consultancy Ltd. ("**Internal Control Advisor**") as an internal control consultant for reviewing and revising the Company internal policies and procedures which the Company adopted on July 20, 2017. The Internal Control Advisor has identified a number of internal control deficiencies in the Group and the Group has reviewed those findings and taken necessary action to address the internal control deficiencies. The findings of the Internal Control Advisor have been announced in the announcement of the Company dated October 16, 2017.

## 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 and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the audited consolidated financial statements for the Year Under Review and has recommended their adoption to the Board.

## Auditors

PricewaterhouseCoopers were engaged to audit the consolidated financial statements for the Year Under Review. A resolution will be submitted to the forthcoming annual general meeting to seek Shareholders' approval on the re-appointment of PricewaterhouseCoopers as the Company's auditor until the conclusion of the next annual general meeting and to authorize the Board to fix the remuneration of such auditor.

By order of the Board
**Cosimo Borrelli**
*Non-Executive Chairman*

Hong Kong, November 22, 2017

# Corporate Governance Report

## Change in the Management of the Company

There have been changes in the management team of the Company subsequent to the financial year end:

### Compositions

Directors during the Year Under Review:

### Executive Directors

Mr. Marcus Pan (Chairman & CEO)
Ms. Shao Liyu (formerly known as Shao Lidan)
Mr. Fung Chi Kong Felix (appointed on October 1, 2013)
Ms. Ng Bonnie Po Ling (also the alternate to Marcus Pan from June 25, 2014)
Mr. Xing Hui Min (appointed on July 3, 2014)

### Non-Executive Director

Mr. Lee Hui Fu (re-designated from executive Director to non-executive Director on June 18, 2014)

### Independent Non-executive Directors

Mr. Chan Nim Leung Leon
Mr. Tsang Wah Kwong
Mr. Liu Hoi Keung (appointed on July 28, 2014)
Mr. Wong Yee Shuen Wilson (ceased on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (ceased on July 31, 2014)

All non-executive Directors were appointed with specific terms referred in their respective contract and are subject to retirement and rotation requirements under the Articles of Association of the Company.

### Changes subsequent to the financial year ended September 30, 2014

- Mr. Marcus Pan (ceased as CEO on October 1, 2014, ceased as Chairman and executive Director on December 15, 2014 as he considered that he did not have personal capacity to continue with the task.)

- Ms. Shao Liyu (appointed as the chairlady of the Company on December 16, 2014 and ceased on November 9, 2017, appointed as the CEO on April 22, 2015)

- Ms. Ng Bonnie Po Ling (appointed as the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015, ceased as an executive Director on October 1, 2015)

- Mr. Chan Nim Leung Leon (ceased as an independent non-executive Director on December 4, 2014)

- Mr. Fung Chi Kong Felix (ceased as an executive Director on October 1, 2014)

- Mr. Xing Hui Min (ceased as an executive Director on January 1, 2015)

- Mr. Zhu Hongtao (appointed as an executive Director on January 1, 2015)

- Mr. Ma Yu Yan (appointed as an executive Director on July 1, 2015, ceased on May 9, 2017)

- Mr. Liu Hoi Keung (re-designated from independent non-executive Director to executive Director and the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015, re-designated as non-executive Director on July 17, 2015, ceased as a Director on October 1, 2015)

# Corporate Governance Report

- Mr. Cheung Chun Sing Horatio (appointed as an independent non-executive Director on October 1, 2014, ceased on October 1, 2015)
- Mr. Lee Hui Fu (ceased as a non-executive Director on January 1, 2015)
- Mr. Tsang Wah Kwong (ceased as an independent non-executive Director on January 18, 2016)
- Mr. Tsang Ming Chit Stanley (appointed as an independent non-executive Director on February 11, 2015, ceased on February 11, 2016)
- Mr. Ching Yu Lung (appointed as an independent non-executive Director on October 1, 2015, ceased on February 28, 2016)
- Mr. Choi Tze Kit Sammy (appointed as an independent non-executive Director on February 11, 2016, ceased on February 11, 2017)
- Mr. Lam Kwok Fai Osmond (appointed as an independent non-executive Director on March 21, 2016, ceased on March 21, 2017)
- Mr. Tang Warren Louis (appointed as an independent non-executive Director on March 21, 2016, ceased on March 21, 2017)
- Mr. Cosimo Borrelli (appointed as a non-executive Director on May 27, 2016 and appointed as the Non-Executive Chairman on November 9, 2017)
- Ms. Chi Lai Man Jocelyn (appointed as a non-executive Director on May 27, 2016)
- Mr. Mar Selwyn (appointed as an independent non-executive Director on February 8, 2017)
- Mr. Chan Kai Nang (appointed as an independent non-executive Director on February 24, 2017)
- Mr. Leung Ka Tin (appointed as an independent non-executive Director on February 24, 2017)
- Mr. Chan Kai Lun Allan (appointed as an executive Director on March 27, 2017)

Accordingly, the Current Board as of the date of this report comprises eight members: Ms. Shao Liyu, Mr. Zhu Hongtao, Mr. Chan Kai Lun Allan, Mr. Cosimo Borrelli, Ms. Chi Lai Man Jocelyn, Mr. Mar Selwyn, Mr. Chan Kai Nang and Mr. Leung Ka Tin.

## Corporate Governance Practices

The Current Board cannot make any representation about the adoption and/or compliance of the principles and applicable provisions of the Code on Corporate Governance Practice (the "**CG Code**") set out in Appendix 14 of the Listing Rules by the Company and/or the former Directors for the Year Under Review. However based on the information available to the Current Board, the Company had the following deviations from the Code during the Year Under Review.

# Corporate Governance Report

## Corporate Governance Practices *(Continued)*

### Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and CEO should be separated and should not be performed by the same individual.

During the Year Under Review, Mr. Marcus Pan was the chairman and also the CEO of the Company responsible for overseeing the operations of the Group. The Company has separated the role of Chairman and CEO between October 1, 2014 and April 22, 2015. Mr. Marcus Pan resigned as CEO and Ms. Ng Bonnie Po Ling and Mr. Liu Hoi Keung were appointed as joint CEO (as announced on September 24, 2014.)

## Financial Reporting

Furthermore, subsequent to the Year Under Review, and as announced on December 19, 2014, the Company has, upon the recommendation of the Auditor, resolved to appoint the independent professional adviser ("**IPA**") to investigate into matters raised by the Auditor ("**Issues**"), including but are not limited to, (1) the transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang, the PRC; (2) the discrepancies found on certain of the Group's inventory receipt records in relation to the Group's raw materials procurement; (3) the relationship between the Group and certain Australia customers; and (4) details and supporting documents on certain expenses. The Former Board has established an independent committee, comprising the independent non-executive Directors, to supervise and oversee the investigation of the Issues. As the investigation on the Issues was only concluded in August 2017, the annual results of the Company for the Year Under Review is deferred until the date of this Report. Accordingly, the Company was not able to timely comply with the financial reporting provisions under rules 13.49(1) and 13.49(6) of the Listing Rules in (i) announcing the annual/interim results for year ended September 30, 2014, September 30, 2015, and 15 months ended December 31, 2016 and the interim results for the six months ended June 30, 2017; (ii) publishing the related interim and annual report for the aforesaid years; and (iii) complying with the Code Provision C.1. The Company has not held its annual general meeting since 2015 for the approval of annual results for the aforesaid years.

## The Board of Directors

### Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing value of shareholders of the Company ("**Shareholders**") including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

### Appointment and Re-election of Directors

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment. Accordingly, Ms. Shao Liyu, Mr. Zhu Hongtao, Mr. Chan Kai Lun Allan, Mr. Mar Selwyn, Mr. Chan Kai Nang and Mr. Leung Ka Tin will retire and are eligible to offer themselves for re-election at the forthcoming AGM.

# Corporate Governance Report

### Directors' Training

The Company has arranged induction training for newly appointed Directors. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

### Directors' Securities Transaction

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 former Directors holding office as at September 30, 2014 confirmed that they had complied with the Model Code provisions during the Year Under Review.

### Relationship with Directors

During the Year Under Review, Mr. Marcus Pan, the former Chairman and CEO was the spouse of Ms. Shao Liyu, an executive Director.

As set out in the announcement of the Company dated December 5, 2014, Ms. Shao Liyu and Mr. Marcus Pan are involved in matrimonial proceedings in Hong Kong and there are certain disagreements and disputes between them regarding their personal affairs.

### Term of Appointment of the Non-Executive Director and Independent Non-Executive Directors

During the year ended September 30, 2017, the non-executive Director and independent non-executive Directors were appointed for a term of 1 year and 3 years respectively and subject to retirement by rotation and re-election in accordance with the Articles of Association.

## Board practices and conduct of meetings

### Delegation by the Board

The Board undertakes the responsibility for decision making in major Company matters, with the day-to-day management delegated to the CEO and senior management. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board, for discharge of their duties.

## Board Committees

The Board has established three standing committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to Shareholders on the Company's website.

### Nomination Committee

During the Year Under Review, the majority members of the Nomination Committee were independent non-executive Directors, with Mr. Marcus Pan as the chairman of the Nomination Committee. The members of the Nomination Committee for the Year Under Review were:

Mr. Marcus Pan
Mr. Chan Nim Leung Leon
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson (ceased on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (ceased on July 31, 2014)
Mr. Liu Hoi Keung (appointed on July 28, 2014)

# Corporate Governance Report

During the Year Under Review, the Nomination Committee was primarily responsible:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors and, in particular, the chairman and the chief executive officer of the Company;
- to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and
- to make disclosure of its review results in the annual report of the Company annually.

During the Year Under Review, the Nomination Committee held 4 meetings for nominating or considering the candidacies of potential board members. The individual attendance record of the Directors at the meeting of Nomination Committee is set out in the paragraph headed "**Attendance Records of Former Board and Committee Meetings**" of this Corporate Governance Report.

### Remuneration Committee

During the Year Under Review, the majority of members of the Remuneration Committee were independent non-executive Directors, with Mr. Chan Nim Leung Leon acted as the chairman of the Remuneration Committee. The members of the Remuneration Committee were:

Mr. Chan Nim Leung Leon
Mr. Tsang Wah Kwong
Mr. Wong Yee Shuen Wilson (ceased on July 4, 2014)
Mr. Marcus Pan
Mr. Tse Chiang Kwok Nassar (ceased on July 31, 2014)
Mr. Liu Hoi Keung (appointed on July 28, 2014)

During the Year Under Review, the Remuneration Committee was primarily responsible:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;

# Corporate Governance Report

- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management members of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Year Under Review, the Remuneration Committee held 6 meetings for reviewing the remuneration package and bonus for Directors and former Directors, as well as shares granted to employees under the share award scheme. The individual attendance record of the Directors at the meeting of Remuneration Committee is set out in the paragraph headed "**Attendance Records of Former Board and Committee Meetings**" of this Corporate Governance Report.

### Audit Committee

During the Year Under Review, the Audit Committee comprised all independent non-executive Directors, with Mr. Tsang Wah Kwong acted as the chairman of the Audit Committee. The members of Audit Committee during the Year Under Review were:

Mr. Tsang Wah Kwong
Mr. Chan Nim Leung Leon
Mr. Wong Yee Shuen Wilson (ceased on July 4, 2014)
Mr. Tse Chiang Kwok Nassar (ceased on July 31, 2014)
Mr. Liu Hoi Keung (appointed on July 28, 2014)

During the Year Under Review, the Audit Committee was primarily responsible:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgments contained in them;
- to review the Company's financial controls, internal control and risk management systems annually;
- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

# Corporate Governance Report

- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

During the Year Under Review, the Audit Committee had held 3 meetings. The individual attendance record of the Directors at the meeting of Audit Committee is set out in the paragraph headed "**Attendance Records of Former Board and Committee Meetings**" of this Corporate Governance Report.

During the Year Under Review, the Audit Committee reviewed the financial results for the year ended September 30, 2013 and the financial results for the six months ended March 31, 2014.

### Corporate governance functions

During the Year Under Review, the Audit Committee was responsible for determining the policy for the corporate governance of the Company, performing the corporate governance duties and review the Company's compliance with the Code.

## Attendance Records of Former Board and Committee Meetings

The attendance records of each Director at the Former Board, Nomination Committee, Remuneration Committee and Audit Committee meetings for the Year Under Review are set out below:

| | Attendance/Number of Meetings | | | |
|---|---|---|---|---|
| | Board Meetings | Nomination Committee Meetings | Remuneration Committee Meetings | Audit Committee Meetings |
| **Executive Directors** | | | | |
| Mr. Marcus Pan (Chairman & CEO) | 19/19 | 4/4 | 6/6 | N/A |
| Ms. Shao Liyu | 15/19 | N/A | N/A | N/A |
| Ms. Ng Bonnie Po Ling | 19/19 | N/A | N/A | 2/3 |
| Mr. Fung Chi Kong Felix | 15/19 | N/A | N/A | N/A |
| Mr. Xing Hui Min | 4/7 | N/A | N/A | N/A |
| **Non-executive Directors** | | | | |
| Mr. Lee Hui Fu | 8/19 | N/A | N/A | N/A |
| **Independent non-executive Directors** | | | | |
| Mr. Chan Nim Leung Leon | 15/19 | 4/4 | 6/6 | 3/3 |
| Mr. Tsang Wah Kwong | 15/19 | 4/4 | 6/6 | 3/3 |
| Mr. Wong Yee Shuen Wilson | 8/12 | 0/1 | 2/3 | 3/3 |
| Mr. Tse Chiang Kwok Nassar | 13/14 | 3/3 | 5/5 | 3/3 |
| Mr. Liu Hoi Keung | 2/5 | 1/1 | 1/1 | N/A |

For the Year Under Review, apart from the meetings of the Former Board, Nomination Committee, Remuneration Committee and Audit Committee, consent/approval from the Former Board and Former Board committees had also been obtained by written resolutions on a number of matters.

# Corporate Governance Report

## Company Secretary

The Company Secretary of the Year Under Review was Ms. Yuen Suk Ching who has confirmed that she has taken not less than 15 hours of appropriate professional training as required under Rule 3.29 of the Listing Rules.

## External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the consolidated financial statements is set out in the "**Independent Auditor's Report**" on pages 42 to 48.

During the Year Under Review, the remuneration paid/payable to the Company's external auditor, Messrs PricewaterhouseCoopers, is set out below:

| Type of Services | Fees Paid/ Payable (HKD'000) |
|---|---|
| **Interim review and year end audit services** | |
| – Review of interim financial information and audit of annual financial statements | 10,300 |
| **Non-Audit Services** | |
| – Tax advisory | 189 |
| – Others | 2,268 |
| **Total** | 12,757 |

## Shareholders' Rights

### Convening an extraordinary general meeting by Shareholders

*Procedures for Shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)*

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting. Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

# Corporate Governance Report

## Investors Relations

During the Year Under Review, there was no change in the Company's constitutional documents.

### Communication with Shareholders and Making Enquiry to the Board

During the Year Under Review, the Company has held its annual general meeting on January 29, 2014 to approve the financial statements for the year ended September 30, 2013 and other matters required to be resolved at an annual general meeting of the Company.

The Company has updated its status to Shareholders from time to time through announcements and information as appeared on the website of the Company.

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@palum.com.

The Company will hold its annual general meeting to approve the financial results for the Year Under Review as soon as practicable within 2017. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

# Independent Auditor's Report

pwc 羅兵咸永道

**TO THE SHAREHOLDERS OF PANASIALUM HOLDINGS COMPANY LIMITED**
(incorporated in Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of PanAsialum Holdings Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 49 to 129, which comprise the consolidated and company statements of financial position as at 30 September 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## Basis for Disclaimer of Opinion

As disclosed in Note 2.1.1 to the Company's consolidated financial statements, the former Board of Directors of the Company (the "**Former Board of Directors**") established an independent committee which had engaged an independent professional advisor to conduct an independent investigation (the "**Investigation**") on certain matters brought to the attention of the Former Board of Directors. The Investigation was completed in August 2017. The current Board of Directors (the "**Current Board of Directors**"), based on the findings of the Investigation, had identified certain matters relating to (i) discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers; (ii) transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the People's Republic of China (the "**PRC**"); (iii) recoverability of receivables from, and possible relationship with, certain customers in Australia; (iv) impairment of investment in and advances to, and possible relationship with, an associated company; and (iv) certain transactions conducted through personal bank accounts. Based on the findings of the Investigation, the Current Board of Directors considered it appropriate to make certain adjustments to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of these matters.

# Independent Auditor's Report

The Investigation had a number of limitations in respect of the nature and extent of the procedures conducted. In response to these matters and the limitations of the Investigation, we have planned to conduct extended procedures during the course of our audit of the Company's consolidated financial statements as at and for the year ended September 30, 2014. However, we also encountered various limitations when we conducted the extended procedures as detailed below.

**(1) Discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers**

(a) As described in Note 2.1.1(A)(a) to the consolidated financial statements, the Investigation identified certain discrepancies between the aluminium ingots receipt records of the finance department and those of the warehouse department, discrepancies between the consumption records of the finance department and the production department for aluminium ingots and aluminium scraps, as well as certain manual modifications to the records of output production rate maintained by the finance department. Based on the findings of the Investigation and the limited information available, the Current Board of Directors of the Company estimated these might have resulted in a loss of approximately RMB43,592,000 (equivalent to HK$55,356,000) for the year ended September 30, 2014, despite the Group was not able to precisely explain and quantify the discrepancies identified as the relevant supporting documents and records were incomplete. The Current Board of Directors also believed that such estimated loss should have already been included in the cost of sales in the Company's consolidated income statement for the year ended September 30, 2014 anyway, such that no adjustment to these financials statements was necessary based on the judgements made by the Group. The Current Board of Directors also adopted the same approach to address similar Investigation findings identified in relation to the financial periods prior to October 1, 2013, and therefore made no adjustments to the Company's consolidated financial statements for those prior periods.

We were unable to obtain satisfactory explanation and adequate documentary evidence from management to verify the nature of and reason for these discrepancies in and manual modifications to the relevant records, nor were we aware or informed of such discrepancies and manual modifications in our prior years' audits. Management was also unable to provide us with supporting documents to enable us to validate the impact and amounts resulting from these matters. We requested for but were also unable to obtain all the necessary collaborative evidence from the counterparties, including interviews with the suppliers, to substantiate the nature of these discrepancies and manual modifications. Despite our requests, management was also unable to provide us with sufficient appropriate audit evidence to ascertain the amount, nature, completeness and classification of the estimated loss currently recorded as cost of sales. There were no alternative audit procedures that we could perform to satisfy ourselves as to the occurrence, accuracy, completeness, classification, presentation and disclosure of the estimated loss of approximately RMB43,592,000 (equivalent to HK$55,356,000) resulting from the above discrepancies during the year ended September 30, 2014, and whether the effects of these transactions had been properly accounted for, classified, presented and disclosed in the Company's consolidated financial statements as at and for the year ended September 30, 2014 and the prior financial periods. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

(b) As described in Note 2.1.1(A)(b) to the consolidated financial statements, as at September 30, 2014, the Group had total prepayments of RMB47,485,000 (equivalent HK$60,184,000 (before write-off) to a new major aluminium ingot supplier of the Group ("**Supplier A**"), comprising (i) prepayments of RMB31,639,000 (equivalent to HK$40,009,000); and (ii) aluminium ingots in-transit of RMB15,846,000 (equivalent to HK$20,175,000). The Group had written off total prepayments and undelivered aluminium ingots in-transit of RMB25,999,000 (equivalent to HK$33,014,000) to administrative expenses during the year ended September 30, 2014, after taking legal action against Supplier A and considering cash collections and deliveries of aluminium ingots during and subsequent to September 30, 2014.

# Independent Auditor's Report

During the course of our audit, we had obtained a confirmation reply from Supplier A in relation to the balance of aluminium ingots in-transit as at September 30, 2014, but the confirmation result was inconsistent with that obtained by the independent professional advisor during the Investigation process. Management was unable to provide us with satisfactory explanations and adequate documentary evidence for such inconsistency, nor were we able to interview with Supplier A, to ascertain the amount and nature of the prepayments made to Supplier A, the reasons and nature of the inconsistency noted in the confirmation replies, as well as the rationale and basis of the write-off of the prepayments of RMB25,999,000 (equivalent of HK$33,014,000). Management was also not able to provide us with satisfactory evidence about the background of this new Supplier A, as well as the business rationale and commercial substance of the prepayments made to Supplier A. As such, we were unable to obtain sufficient and appropriate documentary evidence to ascertain the nature, occurrence, accuracy, completeness and presentation of the total prepayments made to Supplier A of RMB47,485,000 (equivalent to HK$60,184,000). There were also no alternative audit procedures that we could perform to satisfy ourselves as to whether the total impairment amounts of RMB25,999,000 (equivalent of HK$33,014,000) charged to administrative expenses for the year ended September 30, 2014 and the net prepayment balance of HK$42,565,000 as at the same date were fairly stated. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

**(2) Transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC**

As described in Note 2.1.1(B) to the consolidated financial statements, the Group had during the year ended September 30, 2014 paid a total sum of approximately RMB42,672,000 (equivalent to HK$54,187,000) to a construction company incorporated in the PRC (the "**Nanyang Construction Contractor**") for the construction of a new production plant in Nanyang city, the PRC (the "**Nanyang Construction**"). The above amounts paid represented construction-in-progress and prepayment of RMB39,936,000 (equivalent to HK$50,713,000) and RMB2,736,000 (equivalent to HK$3,474,000), respectively. The contract with the Nanyang Construction Contractor was subsequently void during the year ended September 30, 2014 without executing a replacement contract.

Based on the findings of the Investigation, payments were made by the Group to a bank account of the Nanyang Construction Contractor and a former finance employee of the Group was able to operate this bank account for a short period during the year ended September 30, 2014. The Investigation also revealed that certain funds were subsequently transferred from this bank account to certain alleged third parties (the "**Alleged Third Parties**"), including an individual whose name appeared to be the same as a relative of the former chairman of the Company. As described in Note 2.1.1(B) to the consolidated financial statements, the Group subsequently entered into a construction contract with a new contractor in April 2015 for the construction of the same facility, and had written off the total amounts of RMB42,672,000 (equivalent to HK$54,187,000) paid to the Nanyang Construction Contractor during the year ended September 30, 2014.

Management was not able to provide us with adequate evidence to support the nature and amount of the payments to the Nanyang Construction Contractor, including the detailed construction progress report and the supporting for the transfers from the bank account of the Nanyang Construction Contractor to the Alleged Third Parties. We were unable to obtain from management satisfactory explanations or adequate documentary evidence as to the identity of the Nanyang Construction Contractor and the Alleged Third Parties and their relationship, if any, with the Group. We were also unable to obtain all the necessary collaborative evidence from the counterparties, including interviews with the Nanyang Construction Contractor and the Alleged Third Parties, to substantiate the nature of these transactions and their relationship, if any, with the Group. Management was also unable to provide us with adequate documentary evidence to support the impairment assessment of the amounts paid to the Nanyang Construction Contractor that were recorded in construction-in-progress and prepayments.

# Independent Auditor’s Report

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and commercial substance, occurrence, accuracy, completeness, classification, presentation and disclosure of the payments to the Nanyang Construction Contractor during the year ended September 30, 2014;

(ii) whether the effects of these transactions had been properly accounted for, classified and disclosed, including whether the write off of the construction-in-progress balance of RMB39,936,000 (equivalent to HK$50,713,000) and the prepayment balance of RMB2,736,000 (equivalent to HK$3,474,000) to administrative expenses together with the related cash flows presentation for the year ended September 30, 2014, as well as the remaining balances of construction-in-progress and prepayments as at the same date, were fairy stated; and

(iii) the accuracy and completeness of the disclosure of contingent liability, capital commitment or transactions and balances with related parties, if any, in relation to Nanyang Construction as at September 30, 2014.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

**(3) Recoverability of receivables from, and possible relationship with, certain customers in Australia**

A customer in Australia, together with its subsidiaries and affiliates (collectively the “**Australia Customers**”), was one of the Group’s largest customers. Based on our understanding from management, due to the group restructuring of the Australia Customers, two new Australia companies were incorporated in April 2014 (“**Australia Customer A**” and “**Australia Customer B**”). In May 2014, Australia Customer A agreed to assume from the Australia Customers the payment obligations of the trade payables to the Group amounted to HK$319,503,000. Since May 2014, Australia Customer B had begun to act as an import agent for Australia Customer A. The trade receivable balances (before write-off) outstanding from Australia Customer A (including the assignment of the payables originally due by the Australia Customers) and Australia Company B were HK$221,057,000 and HK$156,089,000, respectively, as at September 30, 2014.

Meanwhile, the Group had made sales of HK$38,089,000 to another new customer (“**Customer C**”) during the year ended September 30, 2014.

As described in Note 2.1.1(C) to the consolidated financial statements, the Investigation revealed possible connections between certain relatives of the former chairman of the Company with Australia Customer A and Australia Customer B. There were also possible connections between some of the Australia Customers and Supplier A. In addition, there was evidence indicating that certain goods sold to Customer C were resold to Australia Customer B.

Furthermore, Australia Customer A and Australia Customer B delayed in settlement and the outstanding trade receivables from them became long overdue as at September 30, 2014. Customer C had delayed its settlement which the Group had continuously demanded for settlement but in vain. After taking into account the subsequent collections and balances recovered from the relevant legal actions described in Note 2.1.1(C) to the consolidated financial statements, total outstanding trade receivables from Australia Customer A and Australia Customer B of HK$69,306,000 and HK$15,056,000, respectively (in relation to the sales executed during the year ended September 30, 2014 and the amounts assigned to Australia Customer A by the Australia Companies for the sales to the Australia Companies during the year ended September 30, 2014) and the outstanding trade receivables from Customer C of HK$15,740,000 as at September 30, 2014, had been written off to administrative expenses in the same year.

# Independent Auditor's Report

Management was not able to provide us with sufficient information and explanations about the background of Australia Customer A and Australia Customer B as well as their relationship with the Australia Customers, and the business rationale to accept the assignment of trade receivables of HK$319,503,000 from the Australia Customers to Australia Customer A (which was newly incorporated in April 2014). We were also unable to obtain satisfactory explanations and adequate evidence from management to ascertain the relationship, if any, between the Group and Australia Customer A and Australia Customer B, and between Customer C and Australia Customer B and/or Australia Customer A (and thus the relationship of Customer C, if any, with the Group), nor were we able to interview the relevant counterparties identified in the Investigation. Management was also not able to provide us with adequate documentary evidence to support the rationale of recognising the write-off of trade receivables from Australia Customer A and Australia Customer B totalling HK$84,362,000 in the accounting period for the year ended September 30, 2014, and of the impairment assessment of the outstanding trade receivables from Customer C.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) whether the Group had any related party relationships with the Australia Customers, Australia Customer A, Australia Customer B and Customer C, and thus the accuracy and completeness of the disclosures of related party balances and transactions in the Company's consolidated financial statements as at and for the year ended September 30, 2014; and

(ii) whether the write-off of trade receivables from Australia Customer A, Australia Customer B and Customer C totalling HK$100,102,000 recognised during the year ended September 30, 2014 and the balance of outstanding trade receivables (after write-off) from Australia Customer A, Australia Customer B and Customer C totaling of HK$317,071,000 as at the same date were fairly stated; and whether such write-off was recognised in the proper accounting period.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

**(4) Impairment of investment in and advances to, and possible relationship with, an associated company**

As described in Note 2.1.1(D) to the consolidated financial statements, the Group had in August 2014 invested an amount of HK$17,524,000 to acquire a 45% equity interest in Leading Sense Limited ("**Leading Sense**"), which was accounted for an associated company. As at September 30, 2014, the Group had advanced a total balance of HK$26,807,000 to Leading Sense and its subsidiaries (the "**Leading Sense Group**").

Based on the findings of a legal adviser of the Company, possible connection between one of the registered shareholders of Leading Sense and the former chairman of the Company was identified.

Management was not able to obtain the financial information of Leading Sense Group nor were they able to contact its other shareholders or management since January 2015. Based on management's collectability assessment, the Group had written off its investment in and amounts due from the Leading Sense Group totaled HK$42,206,000 in the Company's consolidated financial statements for the year ended September 30, 2015.

# Independent Auditor's Report

Management was not able to provide us with the details of the background of Leading Sense's shareholders as well as the business rationale and commercial substance of the advances to the Leading Sense Group. No satisfactory confirmation reply was obtained from Leading Sense Group in relation to the outstanding advance balance. We were also unable to obtain satisfactory explanations and adequate evidence from management to ascertain whether there are other relationships between Leading Sense Group and the Group, nor were we able to interview with the relevant counterparties in relation to the investment in Leading Sense. Management was also unable to provide us with satisfactory explanations and adequate information to support their impairment assessment of the investment and advance balances as at September 30, 2014, together with the basis and rationale of recognising the impairment in the accounting period for the year ended September 30, 2015.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and the commercial substance of the advances to the Leading Sense Group as at September 30, 2014;

(ii) the existence/occurrence, accuracy, valuation and completeness of the Group's advances to Leading Sense Group amounted to HK$26,807,000 as at September 30, 2014;

(iii) whether the write-off of the investment in and the amounts due from Leading Sense Group totally HK$42,206,000 was recognised in the proper accounting period;

(iv) whether the investment in an associated company of HK$15,399,000, and the share of its loss and other comprehensive income of HK$2,130,000 and HK$5,000, respectively, were fairly stated in the Company's consolidated financial statements as at and for the year ended September 30, 2014; and

(v) whether the Group had any related party relationships with Leading Sense Group before its investment in August 2014, and thus the accuracy and completeness of the disclosures of related party balances or transactions in the Company's consolidated financial statements as at and for the year ended September 30, 2014.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

### (5) Certain transactions conducted through personal bank accounts

As described in Note 2.1.1(E), the Investigation revealed certain records that contained descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts opened in the names of the chairlady of the Company, a former employee of the Group and individuals related to either the chairlady or the former chairman of the Company. Bank statements of some of these personal bank accounts were provided by certain banks. These personal bank accounts were operated and controlled by an employee in the finance department of the Group. These transactions had never been accounted for or recorded in the Company's consolidated financial statements.

# Independent Auditor's Report

Based on the findings of the Investigation, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors of the Group; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. The records indicated that the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43,966,000 (equivalent to HK$55,830,000) and RMB47,317,000 (equivalent to HK$60,085,000) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 were approximately RMB20,441,000 (equivalent to HK$25,957,000). We were not aware nor were we informed by management or the directors of the Company of these records or possible transactions in our prior years' audits.

The Current Board of Directors of the Company concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions were attributable to the Group, and therefore no accounting adjustments were made to the Company's consolidated financial statements with regard to this matter.

The complete set of the records identified in the Investigation and the related supporting documents were reportedly no longer retained by the Group. We were not provided with adequate supporting documents or explanations from management to enable us to validate whether these personal bank accounts were held by those individuals on behalf of the Group. We were also not able to obtain satisfactory and adequate evidence for the underlying supporting documents from the relevant banks in relation to these transactions, nor were we, despite making our requests through management, able to arrange interviews with the counterparties of the transferors and transferees identified in these records.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) whether these personal bank accounts were in fact controlled by the Group and thus whether these transactions were attributable to the Group and therefore should have been recorded in the Company's consolidated financial statements;

(ii) the occurrence, accuracy, valuation, rights and obligations, existence and completeness of the transactions and balances conducted through these personal bank accounts and the related tax impacts, if any; and

(iii) whether the information and documents provided to us for the purpose of our audit were complete and accurate in all material respects, and whether the Company's consolidated financial statements and notes to the consolidated financial statements as at and for the year ended September 30, 2014, together with the corresponding figures, are free from material misstatements.

## Disclaimer of Opinion

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 22 November 2017

# Consolidated Statement of Comprehensive Income

For the year ended September 30, 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| Revenue | 5 | **2,826,639** | 2,583,735 |
| Cost of sales | 6 | **(2,272,839)** | (1,985,040) |
| **Gross profit** | | **553,800** | 598,695 |
| Distribution and selling expenses | 6 | **(125,241)** | (99,799) |
| Administrative expenses | 6 | **(484,154)** | (262,868) |
| Other income | 9 | **147,819** | 1,938 |
| Other losses - net | 10 | **(43,700)** | (37,381) |
| **Operating profit** | | **48,524** | 200,585 |
| Finance income | 11 | **2,954** | 1,516 |
| Finance costs | 11 | **(18,326)** | (22,401) |
| Finance costs - net | 11 | **(15,372)** | (20,885) |
| Share of loss of an associated company | 17(d) | **(2,130)** | – |
| **Profit before income tax** | | **31,022** | 179,700 |
| Income tax (expense)/credit | 12 | **(28,457)** | 33,831 |
| **Profit attributable to equity holders of the Company** | | **2,565** | 213,531 |
| **Other comprehensive (loss)/income:** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences | | **(1,991)** | 12,259 |
| **Total comprehensive income attributable to equity holders of the Company** | | **574** | 225,790 |
| **Earnings per share attributable to equity holders of the Company** | | | |
| Basic (HK cents per share) | 13 | **0.2** | 19.5 |
| Diluted (HK cents per share) | 13 | **0.2** | 19.5 |
| Dividends | 14 | **–** | 290,000 |

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at September 30, 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **581,945** | 511,478 |
| Land use rights | 16 | **15,149** | 9,326 |
| Investment in an associated company | 17(d) | **15,399** | – |
| Deposits and lease prepayments | 20 | **612** | 1,778 |
| Prepayments for property, plant and equipment | 20 | **64,605** | 3,485 |
| Prepayments for land use rights | 20 | **290,690** | – |
| | | **968,400** | 526,067 |
| **Current assets** | | | |
| Inventories | 19 | **294,063** | 329,189 |
| Trade and bills receivables | 20 | **858,927** | 703,145 |
| Prepayments, deposits and other receivables | 20 | **109,527** | 168,778 |
| Due from a related company | 21, 33 | **4,200** | 3,385 |
| Due from an associated company | 21, 33 | **26,807** | – |
| Capital guaranteed fund | 22 | **–** | 4,517 |
| Derivative financial instruments | 23 | **4,144** | 651 |
| Pledged bank deposits | 24 | **–** | 21,531 |
| Fixed bank deposit | 24 | **–** | 300,000 |
| Cash and cash equivalents | 24 | **387,145** | 498,694 |
| | | **1,684,813** | 2,029,890 |
| **Total assets** | | **2,653,213** | 2,555,957 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 25 | **120,000** | 120,000 |
| Reserves | 27 | **1,672,832** | 1,672,754 |
| Total equity | | **1,792,832** | 1,792,754 |

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position (Continued)

As at September 30, 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Obligations under finance leases – non-current portion | 28 | **6,032** | 988 |
| | | **6,032** | 988 |
| **Current liabilities** | | | |
| Trade payables | 29 | **128,512** | 103,155 |
| Other payables and accrued charges | 29 | **207,106** | 149,629 |
| Amount due to a director | 21 | **2,663** | – |
| Derivative financial instruments | 23 | **–** | 3,549 |
| Borrowings | 30 | **479,919** | 499,368 |
| Obligations under finance leases – current portion | 28 | **1,693** | 283 |
| Current income tax liabilities | | **34,456** | 6,231 |
| | | **854,349** | 762,215 |
| **Total liabilities** | | **860,381** | 763,203 |
| **Total equity and liabilities** | | **2,653,213** | 2,555,957 |
| **Net current assets** | | **830,464** | 1,267,675 |
| **Total assets less current liabilities** | | **1,798,864** | 1,793,742 |

The consolidated financial statements on pages 49 to 129 were approved by the Board of Directors on November 22, 2017 and were signed on its behalf.

**Shao Liyu (formerly known as Ms. Shao Lidan)**
*Director*

**Chan Kai Lun Allan**
*Director*

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Statement of Financial Position

As at September 30, 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | 17 | **676,503** | 828,317 |
| **Current assets** | | | |
| Due from a subsidiary | 17 | **1,115,209** | 1,125,952 |
| Cash and cash equivalents | 24 | **1,144** | 201 |
| | | **1,116,353** | 1,126,153 |
| **Total assets** | | **1,792,856** | 1,954,470 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 25 | **120,000** | 120,000 |
| Reserves | 27 | **1,672,832** | 1,834,445 |
| **Total equity** | | **1,792,832** | 1,954,445 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payable and accrued charges | 29 | **24** | 25 |
| **Total liabilities** | | **24** | 25 |
| **Total equity and liabilities** | | **1,792,856** | 1,954,470 |
| **Net current assets** | | **1,116,329** | 1,126,128 |
| **Total assets less current liabilities** | | **1,792,832** | 1,954,445 |

The consolidated financial statements on pages 49 to 129 were approved by the Board of Directors on November 22, 2017 and were signed on its behalf.

**Shao Liyu (formerly known as Ms. Shao Lidan)**
*Director*

**Chan Kai Lun Allan**
*Director*

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended September 30, 2014

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Shares held for share award scheme HK$'000 | Employee share-based compensation reserve HK$'000 | Other reserves HK$'000 | Retained earnings HK$'000 | Total equity HK$'000 |
| **Balance at October 1, 2012** | – | – | – | – | 43,045 | 692,910 | 735,955 |
| Profit for the year | – | – | – | – | – | 213,531 | 213,531 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | – | – | – | – | 12,259 | – | 12,259 |
| Total comprehensive income for the year | – | – | – | – | 12,259 | 213,531 | 225,790 |
| Transactions with owners: | | | | | | | |
| Proceeds from shares issued *(Note 25)* | 120,000 | 1,001,009 | – | – | – | – | 1,121,009 |
| Transfer to statutory reserves | – | – | – | – | 6,173 | (6,173) | – |
| Dividends paid *(Note 14)* | – | – | – | – | – | (290,000) | (290,000) |
| Total transactions with owners | 120,000 | 1,001,009 | – | – | 6,173 | (296,173) | 831,009 |
| **Balance at September 30, 2013** | 120,000 | 1,001,009 | – | – | 61,477 | 610,268 | 1,792,754 |
| Balance at October 1, 2013 | **120,000** | **1,001,009** | **–** | **–** | **61,477** | **610,268** | **1,792,754** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **2,565** | **2,565** |
| Other comprehensive loss: | | | | | | | |
| Currency translation differences | **–** | **–** | **–** | **–** | **(1,991)** | **–** | **(1,991)** |
| Total comprehensive (loss)/income for the year | **–** | **–** | **–** | **–** | **(1,991)** | **2,565** | **574** |
| Transactions with owners: | | | | | | | |
| Value of employee services *(Note 26)* | **–** | **–** | **–** | **8,382** | **–** | **–** | **8,382** |
| Shares purchased for share award scheme *(Note 26)* | **–** | **–** | **(8,878)** | **–** | **–** | **–** | **(8,878)** |
| Vesting of shares held under share award scheme *(Note 26)* | **–** | **278** | **8,104** | **(8,382)** | **–** | **–** | **–** |
| Total transactions with owners | **–** | **278** | **(774)** | **–** | **–** | **–** | **(496)** |
| **Balance at September 30, 2014** | **120,000** | **1,001,287** | **(774)** | **–** | **59,486** | **612,833** | **1,792,832** |

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended September 30, 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *31(a)* | **193,327** | 203,574 |
| Interest paid | | **(18,326)** | (22,401) |
| Income tax paid | | **(232)** | (23,470) |
| Net cash generated from operating activities | | **174,769** | 157,703 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and construction in progress | | **(183,849)** | (147,113) |
| Purchase of land use rights | | **(6,405)** | – |
| Increase in deposits for land use rights | | **(291,908)** | – |
| (Increase)/decrease in deposits for property, plant and equipment | | **(64,865)** | 6,471 |
| Proceeds from sale of property, plant and equipment | | **1,945** | 48 |
| Decrease/(increase) in fixed bank deposits | | **300,000** | (300,000) |
| Increase in investment cost of an associated company | | **(17,528)** | – |
| Increase in amount due from an associated company | | **(24,256)** | – |
| Proceeds received on maturity of capital guaranteed fund | | **5,168** | – |
| Interest received | | **2,954** | 1,481 |
| Net cash used in investing activities | | **(278,744)** | (439,113) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **–** | (375,998) |
| Proceeds from borrowings | | **708,780** | 1,543,382 |
| Repayments of borrowings | | **(728,229)** | (1,652,096) |
| Payment of finance lease liabilities | *31(b)* | **(1,912)** | (644) |
| Proceeds from issuance of ordinary shares | | **–** | 1,121,009 |
| Decrease in pledged bank deposits | | **21,531** | – |
| Purchase of shares for share award scheme | | **(8,878)** | – |
| Net cash (used in)/generated from financing activities | | **(8,708)** | 635,653 |
| Net (decrease)/increase in cash and cash equivalents | | **(112,683)** | 354,243 |
| Cash and cash equivalents at beginning of the year | | **498,694** | 143,303 |
| Exchange gains on cash and cash equivalents | | **1,134** | 1,148 |
| **Cash and cash equivalents at end of the year** | *24* | **387,145** | 498,694 |

The notes on pages 55 to 129 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 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 October 7, 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 (the "**HKSE**") since February 5, 2013.

These consolidated financial statements are presented in Hong Kong Dollar "**HK$**" or "**HKD**", unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on November 22, 2017.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by derivative financial instruments at fair value through profit or loss.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

*2.1.1 Investigation*

In 2014, the then former board of directors of the Company (the "**Former Board**") was informed by its auditor of certain findings during the course of their audit of the Company's consolidated financial statements for the year ended September 30, 2014. As a result, the Former Board established an independent committee (the "**Independent Committee**") which had engaged an independent professional adviser to perform an investigation (the "**Investigation**") on these matters. The Investigation was completed in August 2017.

While the Investigation had a number of limitations in respect of the nature and extent of the procedures conducted, the current board of directors of the Company (the "**Current Board**") had, based on the findings of the Investigation, considered the relevant and available information and supporting evidence, and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The Current Board considered it appropriate to make certain adjustments to the Company's consolidated financial statements for the year ended September 30, 2014 in respect of the following matters:

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(A) **Discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers**

(a) Based on the findings of the Investigation, there were discrepancies between the aluminium ingots receipt records of the finance department and those of the warehouse department. The Investigation also revealed that there were manual modifications to the records of output production rate maintained by the finance department, and there were discrepancies between the consumption records of the finance department and the production department for aluminium ingots and aluminium scraps. These have resulted in possible overstatements of aluminium ingots and scraps consumed while the related liabilities should have been paid to the relevant vendors, and the related impact should have already been included in the cost of sales in the Company's consolidated financial statements. The impact was estimated to be a loss of RMB43,592,000 (equivalent to HK$55,356,000) for the year ended September 30, 2014.

Based on the findings of the Investigation and the information available, the Current Board considers that these aluminium ingots might have been consumed in the production process. However, the relevant supporting documents and records were incomplete, such that Group was unable to precisely explain and quantify the discrepancies identified. Under these circumstances, the Current Board considered that recording such possible loss in cost of sales in the Company's consolidated financial statements was a pragmatic way to dispose of the discrepancies identified. As a result, no adjustment was made to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of the discrepancies identified in the aluminium ingots receipt and consumption records. The Current Board also adopted the same approach to address similar Investigation findings identified in relation to the financial periods prior to October 1, 2013, and therefore made no adjustments were made to the Company's consolidated financial statements for those prior periods.

(b) In the normal course of business, the Group prepays its suppliers for purchase of aluminium ingots. As at September 30, 2014, the Group had prepaid RMB31,639,000 (equivalent to HK$40,009,000) to a new major supplier ("**Supplier A**"), which was one of the largest aluminium ingots vendors of the Group since August 2013. The Group also had aluminium ingots in-transit of RMB15,846,000 (equivalent to HK$20,175,000) to be received from Supplier A as at the same date. As described in section (C) below, there were possible connections between Supplier A and certain of the Group's customers in Australia.

The Group had continuously followed up with the Supplier A for subsequent delivery of aluminium ignots. However, aluminium ingots totalling only RMB16,056,000 (equivalent to HK$20,304,000) were subsequently delivered to the Group by Supplier A. In this connection, a claim was lodged by the Group in May 2015 against Supplier A through legal proceedings in the People's Republic of China (the "**PRC**") to recover certain outstanding balances paid to Supplier A. On December 29, 2016, the PRC court ruled in favour of the Group which had recovered a cash settlement of RMB5,430,000 (equivalent to HK$6,866,000). However, the Current Board considered that it is unlikely to recover the remaining outstanding amounts of RMB25,999,000 (equivalent to HK$33,014,000) in total, and therefore made an impairment provision of an equivalent amount against such outstanding balance. The impairment provision had been included in the administrative expenses during the year ended September 30, 2014 (see Note 20).

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(B) **Transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC**

During the year ended September 30, 2014, PanAsia Aluminium (China) Co., Ltd. ("**PACL**"), a wholly-owned subsidiary of the Company, paid a total sum of approximately RMB42,672,000 (equivalent to HK$54,187,000) to a construction company incorporated in the PRC (the "**Nanyang Construction Contractor**") for the construction of a new production plant in Nanyang city, PRC (the "**Nanyang Construction**"), of which RMB39,936,000 (equivalent to HK$50,713,000) and RMB2,736,000 (equivalent to HK$3,474,000) were originally recorded as construction-in-progress and prepayment, respectively, as at September 30, 2014. The contract with the Nanyang Construction Contractor was subsequently void during the year ended September 30, 2014 because certain errors were found, but no replacement contract was executed.

Based on the findings of the Investigation, payments were made by PACL to a bank account of the Nanyang Construction Contractor (the "**Nanyang Construction Bank Account**"), and a former employee in the finance department of PACL was able to operate this bank account during a short period from June 2014 to September 2014. The Investigation also revealed that certain funds were subsequently transferred out from the Nanyang Construction Bank Account to certain corporate and individual transferees, including an individual whose name appeared to be the same as a relative of the former chairman of the Company.

Management of the Company tried to contact the Nanyang Construction Contractor, but was unable to obtain from it the relevant supporting documents (including the detailed construction progress report, detailed underlying supporting for the payments to the Nanyang Construction Contractor as well as the transfers from the Nanyang Construction Bank Account, and the background and identities of the above-mentioned transferees) to substantiate the payments made. In April 2015, PACL entered into a construction contract with another contractor for the construction of the same production facility in Nanyang city. As it is unlikely that these payments will derive any future economic benefits to the Group, the Current Board therefore decided to write off the entire construction-in-progress balance of RMB39,936,000 (equivalent to HK$50,713,000) and the prepayment balance of RMB2,736,000 (equivalent to HK$3,474,000) to administrative expenses during the year ended September 30, 2014 (see Note 15).

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(C) **Recoverability of receivables from, and possible relationship with, certain customers in Australia**

A customer in Australia together with its subsidiaries and affiliates (collectively the "**Australia Customers**") was one of the Group's largest customers. During the year ended September 30, 2014, sales to the Australia Customers amounted to HK$374,561,000 (2013: HK$637,050,000). Due to a group restructuring of the Australia Customers, two new companies were incorporated in Australia in April 2014 ("**Australia Customer A**" and "**Australia Customer B**"). In May 2014, Australia Customer A agreed to assume, from the Australia Customers, the payment obligations of the trade payables to the Group totalling HK$319,503,000. Since May 2014, Australia Customer B had begun to act as an import agent for Australia Customer A.

During the year ended September 30, 2014, sales to Australia Customer A and Australia Customer B amounted to HK$4,991,000 and HK$218,983,000, respectively. The trade receivable balances (before write-off) outstanding from Australia Customer A (including the assignment of the payables due by the Australia Customers) and Australia Company B were HK$221,057,000 and HK$156,089,000, respectively, as at September 30, 2014.

Based on the findings of the Investigation, the sister of the former chairman of the Company held 70% of the shareholding of Australia Customer A and was a director of Australia Customer A during the period from July 11, 2014 to November 20, 2014. She was the deputy financial controller of a PRC subsidiary of the Company since late October 2014, but resigned from such position in November 2014. Moreover, the address of the sole shareholder of Australia Customer B appeared to be the same as that stated on a copy of the personal identity card of a relative of the former chairman of the Company. The Investigation further identified potential connections between some of the Australia Customers and Supplier A which shared common shareholders' names and addresses since August 30, 2013. Despite the above, the Current Board did not consider the Australia Customers, Australia Customer A and Australia Customer B as related parties of the Group, as the Group did not have significant influence over them and there was also no evidence indicating that the sister of the former chairman of the Company held her shares in Australia Customer A on his behalf.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(C) **Recoverability of receivables from, and possible relationship with, certain customers in Australia** *(Continued)*

The Group stopped trading directly with Australia Customer A in July 2014 and continued the trading business with Australia Customer B until March 2015. Although the Group had continuously demanded for settlement, both Australia Customer A and Australia Customer B delayed in settlement and the outstanding trade receivables became long overdue as at September 30, 2014. The Group also noticed a downside business impact on Australia Customer A and Australia Customer B following the significant increase in anti-dumping duty imposed on foreign imports from Mainland China to Australia in February 2015.

In view of the above, the Group filed a claim with a court in Australia and issued winding up petitions against Australia Customer A and Australia Customer B in July 2015. After taking into account the subsequent collections and balances recovered from the winding up petitions against Australia Customer A and Australia Customer B, total outstanding trade receivables of HK$69,306,000 and HK$15,056,000, respectively, in relation to the sales executed during the year ended September 30, 2014 and amounts assigned to Australia Customer A by the Australia Customers for the sales to the Australia Customers during the year ended September 30, 2014, were written off to administrative expenses in the same year (see Note 20).

Moreover, the Group made sales of HK$38,089,000 to another new customer in Australia ("**Customer C**"), which was incorporated in the British Virgin Islands, during the year ended September 30, 2014. Based on the information in the winding up petitions against Australia Customer B, certain goods sold to Customer C were resold to Australia Customer B. During the year, Customer C had delayed its settlement and the Group had continuously demanded Customer C for settlement but in vain. The Group therefore had written off the outstanding trade receivables from Customer C of HK$15,740,000 to administrative expenses during the year ended September 30, 2014 (see Note 20).

(D) **Impairment of investment in and advances to, and possible relationship with, an associated company**

In August 2014, the Group invested an amount of HK$17,524,000 to acquire a 45% equity interest in Leading Sense Limited ("**Leading Sense**"), which was principally engaged in manufacturing and trading of mobile phones (the "**Mobile Business**"). Leading Sense was accounted for as an associated company.

During the year ended September 30, 2014, the Group paid an amount of RMB1,070,000 (equivalent to HK$1,353,000) to an agency company for sponsorship of a concert without entering into any contract. Such payment was initially accounted for as prepayment by the Group, and was reclassified as amount due from an associated company based on the findings of the Investigation. Including this sponsorship payment, the Group had advanced a total balance of HK$26,807,000 to Leading Sense and its subsidiaries (the "**Leading Sense Group**") which was recorded as amount due from an associated company as at September 30, 2014.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(D) **Impairment of investment in and advances to, and possible relationship with, an associated company** *(Continued)*

According to the findings of a legal adviser of the Company, one of the registered shareholders of Leading Sense might have a possible connection with the former chairman of the Company. Despite this, the Current Board did not consider such person and Leading Sense as related parties of the Group, as the Group did not have significant influence over them before the subscription of the issued share capital of Leading Sense in August 2014.

Upon the acquisition in August 2014, management of the Company was provided with, on a monthly basis, the management accounts of Leading Sense Group which had been unavailable since January 2015. In addition, the other shareholders or the management of Leading Sense Group ceased to be contactable since January 2015.

As the management of the Company was unable to obtain further financial information and in view of the financial position of Leading Sense Group as well as the discontinuation of the Mobile Business in 2015, the Current Board decided to write off the investment in and the amounts due from Leading Sense Group of HK$15,399,000 and HK$26,807,000 respectively, and the total amounts written off were charged to administrative expenses in the Company's consolidated financial statements for the year ended September 30, 2015.

(E) **Certain transactions conducted through personal bank accounts**

The Investigation has identified certain records ("**Personal Bank Account Records**") that contain descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts opened in the names of the chairlady of the Company, a former employee of the Group, and individuals related to either the chairlady or the former chairman of the Company. These personal bank accounts were operated and controlled by an employee in the finance department of PACL. Bank statements of some of these personal bank accounts were provided by certain banks. Based on the descriptions in the Personal Bank Account Records, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors of the Group; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. These transactions had never been accounted for or recorded in the Company's consolidated financial statements.

Based on the findings of the Investigation, the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43,966,000 (equivalent to HK$55,830,000) and RMB47,317,000 (equivalent to HK$60,085,000) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 was approximately RMB20,441,000 (equivalent to HK$25,957,000).

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.1 Investigation (Continued)*

(E) **Certain transactions conducted through personal bank accounts** *(Continued)*

The Investigation also identified certain incomplete ledgers (which did not form part of the accounting records of the Group (the "**Incomplete Ledgers**")) that recorded certain payments and receipts transactions, some of which were similar to those described in the Personal Bank Account Records. However, there were no underlying supporting documents or other evidence available to substantiate the nature of these transactions. The complete set of the Personal Bank Accounts Records and the Incomplete Ledgers and the related supporting documents were reportedly no longer retained.

The Current Board is of the view that they could not obtain sufficient evidence to support that these personal bank accounts were held by individuals on behalf of the Group and that the relevant transactions conducted through these personal bank accounts were attributable to the Group. Based on the limited information available, management and the Current Board concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions should be accounted for and recorded by the Group. Accordingly, the Current Board considered that no accounting adjustments are required to be made to the Company's consolidated financial statements with regard to this matter.

*2.1.2 Changes in accounting policy and disclosure*

*(a) New, revised or amended standards and interpretation adopted by the Group*

The following new, revised or amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after October 1, 2013:

| | |
|---|---|
| Amendment to HKAS 1 | Presentation of items of other comprehensive income |
| HKAS 19 (2011) | Employee benefits |
| HKAS 27 (2011) | Separate financial statements |
| HKAS 28 (2011) | Investments in associates and joint ventures |
| Amendment to HKFRS 1 | Government loans |
| Amendment to HKFRS 7 | Disclosures – offsetting financial assets and financial liabilities |
| HKFRS 10 | Consolidated financial statements |
| HKFRS 11 | Joint arrangements |
| HKFRS 12 | Disclosure of interests in other entities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance |
| HKFRS 13 | Fair value measurement |
| HK(IFRIC) – Int 20 | Stripping costs in the production phase of a surface mine |
| Annual Improvements Project | Annual improvements 2009-2011 cycle |

The adoption of the above new, revised or amended standards and interpretation did not result in substantial changes to the accounting policies of the Group and had no material impact on the preparation of the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.2 Changes in accounting policy and disclosure (Continued)*

*(b) New and amendments to standards, interpretations and improvements not yet adopted*

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

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendment to HKAS 1 | Disclosure initiative | January 1, 2016 |
| Amendment to HKAS 7 | Disclosure initiative | January 1, 2017 |
| Amendment to HKAS 12 | Recognition of deferred tax assets for unrealized losses | January 1, 2017 |
| Amendment to HKAS 16 and HKAS 41 | Agriculture: bearer plants | January 1, 2016 |
| Amendment to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortization | January 1, 2016 |
| Amendment to HKAS 19 (2011) | Defined benefit plans: employee contributions | July 1, 2014 |
| Amendment to HKAS 27 | Equity method in separate financial statements | January 1, 2016 |
| Amendment to HKAS 32 | Offsetting financial assets and financial liabilities | January 1, 2014 |
| Amendment to HKAS 36 | Recoverable amount disclosures for non-financial assets | January 1, 2014 |
| Amendment to HKAS 39 | Novation of derivatives and continuation of hedge accounting | January 1, 2014 |
| Amendment to HKAS 40 | Transfers of investment property | January 1, 2018 |
| Amendment to HKFRS 2 | Classification and measurement of share-based payment transactions | January 1, 2018 |
| Amendment to HKFRS 4 | Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts | January 1, 2018 |
| HKFRS 9 | Financial instruments | January 1, 2018 |
| Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Investment entities | January 1, 2014 |
| Amendment to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | Effective date to be determined |

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.2 Changes in accounting policy and disclosure (Continued)*

*(b) New and amendments to standards, interpretations and improvements not yet adopted (Continued)*

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendment to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | January 1, 2016 |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations | January 1, 2016 |
| HKFRS 14 | Regulatory deferral accounts | January 1, 2016 |
| HKFRS 15 | Revenue from contracts with customers | January 1, 2018 |
| Amendment to HKFRS 15 | Clarification to HKFRS 15 | January 1, 2018 |
| HKFRS 16 | Leases | January 1, 2019 |
| HK(IFRIC) – Int 21 | Levies | January 1, 2014 |
| HK(IFRIC) – Int 22 | Foreign currency transactions and advance consideration | January 1, 2018 |
| Annual improvements project | Annual improvements 2010-2012 cycle | July 1, 2014 |
| Annual improvements project | Annual improvements 2011-2013 cycle | July 1, 2014 |
| Annual improvements project | Annual improvements 2012-2014 cycle | January 1, 2016 |
| Annual improvements project | Annual improvements 2014-2016 cycle | January 1, 2017 |
| Annual improvements project to HKFRS 1 and HKAS 28 | Annual improvements 2014-2016 cycle (amendments) | January 1, 2018 |

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, except the following set out below:

*HKFRS 9, 'Financial instruments'*
The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.2 Changes in accounting policy and disclosure (Continued)*

*(b) New and amendments to standards, interpretations and improvements not yet adopted (Continued)*

*HKFRS 9, 'Financial instruments' (Continued)*

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: recognition and measurement' and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.2 Changes in accounting policy and disclosure (Continued)*

*(b) New and amendments to standards, interpretations and improvements not yet adopted (Continued)*

*HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

- Rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

*HKFRS 16, 'Leases'*

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$7,094,000, see Note 32(b). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*2.1.2 Changes in accounting policy and disclosure (Continued)*

*(b) New and amendments to standards, interpretations and improvements not yet adopted (Continued)*

*HKFRS 16, 'Leases' (Continued)*

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and expected to have a material impact on the Group.

### 2.2 Subsidiaries

*2.2.1 Consolidation*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.2 Subsidiaries *(Continued)*

*2.2.1 Consolidation (Continued)*

(a) Business combinations *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

There have been no transactions with non-controlling interests during the year ended September 30, 2014.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

*2.2.2 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.3 Associated company

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associated company includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company, any difference between the cost of the associated company and the Group's share of the net fair value of the associated company identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying amount and recognizes the amount adjacent to "**Share of loss of an associated company**" in the consolidated statement of comprehensive income.

Impairment testing of the investment in the associated company is required upon receiving dividends from this investment if the dividend exceeds the total comprehensive income of the associated company in the period the dividend is declared or if the carrying amount of the investment in the Company's separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associated company. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution arising in investments in associated companies are recognized in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.4 Structured entity

The Group controls a structured entity, the trust constituted by the trust deed, which is set up solely for the purpose of purchasing, administering and holding the Company shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the trust and it has the ability to use its power over the trust to affect its exposure to returns, the assets and liabilities of trust are included in the consolidated statement of financial position and the Company shares held by the trust are presented as a deduction in equity as shares held for Share Award Scheme.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (the "**Board**") that makes strategic decisions.

### 2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "**functional currency**"). The consolidated financial statements are presented in HKD, which is the Company's functional and the Company's and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income within "**other losses – net**".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.7 Land use rights

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost mainly represents consideration paid for the rights to use the land from the date the respective rights were granted. Amortization of land use rights is calculated on a straight-line basis over the period of the rights, i.e. 50 years.

### 2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their costs, less their estimated residual value, if any, over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 20 years |
| Plant and machinery | 5 – 10 years |
| Office equipment | 3 – 5 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 4 – 10 years |

Construction-in-progress, which includes direct expenditures for construction of buildings, is stated at cost. Capitalized costs include costs incurred during the construction phase which directly relates to the asset under construction. Once all the activities necessary to prepare an asset to be available for its intended use are substantially completed, the construction-in-progress is transferred to property, plant and equipment. No depreciation is provided in respect of construction-in-progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive income.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.10 Financial assets

*2.10.1 Classification*

The Group classifies its financial assets into the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designed as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. In this category, the Group has only some derivatives.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "**trade and bills receivables**", "**deposits and other receivables**", "**due from a related company**", '**due from an associated company**", "**capital guaranteed fund**" and "**cash and cash equivalents**" in the consolidated statement of financial position.

*2.10.2 Recognition and measurement*

Regular way of purchases and sales of financial assets are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using effective interest method.

Gains or losses arising from changes in the fair value of the "**financial assets at fair value through profit or loss**" category are presented in the consolidated statement of comprehensive income within "**other losses – net**" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

### 2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.12 Impairment of financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in consolidated statement of comprehensive income.

### 2.13 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group's derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated statement of comprehensive income within "**other losses – net**".

### 2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.15 Trade and other receivables *(Continued)*

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account and the loss is recognized in the consolidated statement of comprehensive income within "**administrative expenses**". When a receivable is uncollectible, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited against "**administrative expenses**" in the consolidated statement of comprehensive income.

### 2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, excluding pledged deposits.

### 2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs, net of tax, directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income within "**finance costs**" over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### 2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

*(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.21 Current and deferred income tax *(Continued)*

*(b) Deferred income tax*

Inside basis difference

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis difference

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated company/joint arrangement except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries associated company/joint arrangement only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

*(c) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.22 Revenue recognition *(Continued)*

Revenue is recognized as follows:

(a) sales of goods (including mold and samples) are recognized on the transfer of risks and rewards of ownership of the products, which generally coincides with the time when the goods are delivered to customers and the title is passed.

(b) income from processing services is recognized when the services are rendered.

(c) interest income is recognized on a time-proportion basis using the effective interest method.

(d) dividend income is recognized when the right to receive payment is established.

### 2.23 Employee benefits

*(a) Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

*(b) Pension obligations*

The Group participates in defined contribution schemes which are available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The Group has no further obligation once the contributions have been paid.

The Group also participates in the employee social security plan (the "**Plan**") as required by the regulations in the People's Republic of China (the "**PRC**"). The Group is required to make welfare contributions to the Plan which is based on a certain percentage of the employees' relevant income.

*(c) Bonus plans*

The Group recognizes a liability and an expense for bonus plans that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliges or where there is a past practice that has created a constructive obligation.

# Notes to the Consolidated Financial Statements

## 2 Summary of significant accounting policies *(Continued)*

### 2.23 Employee benefits *(Continued)*

(d) *Equity-settled share-based payment transactions*

The Group operates an share award scheme, under which the entity receives services from employees as consideration for equity instruments of the Group and the share awards were granted under the share award scheme to employees as part of their compensation package.

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognized over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to an employee share-based compensation reserve under equity.

Upon vesting and transfer to the awardees, the related costs of the shares are credited to shares held for share award scheme, and the related fair value of the shares are debited to employee share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

### 2.24 Leases

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss for the period on a straight-line basis over the period of the lease.

(b) *Finance leases*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management

### 3.1 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. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's management regularly monitors the exposures and implements timely and effective policies to mitigate potential risks. Risk management is carried out by the group treasury department under policies approved by the Board. Financial risks are identified and evaluated in different units with close cooperation with the group treasury. Based on the policies, the Group can use also derivative financial instruments to hedge certain risk exposures.

*(a) Market risk*

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, Macao and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("**USD**"), Renminbi ("**RMB**"), and Australian Dollar ("**AUD**"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies. The Group's exposure to different currencies is disclosed in relevant notes.

For companies with HKD as their functional currency

As HKD is pegged to USD, the Directors consider the foreign exchange risk exposure with respect to USD is not significant for the group companies which have HKD as functional currency.

As of September 30, 2014, if AUD had weakened/strengthened by 10% against HKD with all other variables held constant, post-tax profit for the year ended September 30, 2014 would have been approximately HK$1,693,000 lower/higher (2013: HK$510,000), mainly as a result of net foreign exchange difference on translation of AUD denominated cash and bank deposits, other receivables, derivative financial instruments as well as the current accounts with group companies.

As at September 30, 2014, there were no significant assets and liabilities denominated in RMB, and hence there was no significant foreign currency risk with respect to RMB to group companies which have HKD as functional currency (2013: Same).

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(a) Market risk (Continued)*

(i) Foreign exchange risk *(Continued)*

For companies with RMB as their functional currency

As at September 30, 2014, if USD had weakened/strengthened by 10% against RMB with all other variables held constant, post-tax loss for the year ended September 30, 2014 would have been HK$11,948,000 higher/lower (2013: Post-tax profit HK$9,717,000 lower/higher), mainly as a result of net foreign exchange difference on translation of USD-denominated receivables.

As at September 30, 2014, there were no significant assets and liabilities denominated in HKD/AUD, and hence there was no significant foreign currency risk with respect to HKD/AUD to group companies which have RMB as functional currency (2013: Same).

For companies with USD as their functional currency

As at September 30, 2014, if AUD had weakened/strengthened by 10% against USD with all other variables held constant, post-tax profit for the year ended September 30, 2014 would have been HK$36,275,000 lower/higher (2013: HK$32,698,000), mainly as a result of the foreign exchange losses/gains on translation of AUD-denominated receivables which are partially offset by the fair value gains/losses on foreign exchange forward contracts.

As at September 30, 2014, there were no significant assets and liabilities denominated in HKD/RMB, and hence there was no significant foreign currency risk with respect to HKD/RMB to group companies which have USD as functional currency (2013: Same).

(ii) 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 recognized a total loss on derivative financial instruments of HK$13,061,000 during the year ended September 30, 2014 (2013: HK$2,691,000). As at September 30, 2014, the Group held future contracts which will become mature in between November 2014 and March 2015 (2013: In between December 2013 and April 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.

The outstanding balances of future contracts entered as at September 30, 2014 are disclosed in Note 23.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(a) Market risk (Continued)*

(ii) Commodity price risk on aluminium *(Continued)*

The following commodity price sensitivity is calculated based on the outstanding aluminium future contracts of the Group as at September 30, 2014, assuming 10% shift of the future contract price is as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Profit increases as future contract price increase | **24,980** | 39,120 |

A 10% decrease in future contract prices of aluminium would have had the equal but opposite effect on the above aluminium future contracts to the amounts shown above, on the basis that all other variables remain constant.

(iii) Interest rate risk

The Group's interest-rate risk arises from variable rate pledged bank deposits, cash and cash equivalents and borrowings. Borrowings issued at floating rate expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow interest rate risk. The Group does not have any significant assets or liabilities which would expose it to fair value interest rate risk.

As at September 30, 2014, if interest rates on variable rate pledged bank deposits, cash and cash equivalents and borrowings had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year ended September 30, 2014 would have been HK$175,000 lower/higher, mainly as a result of higher/lower interest expense on borrowings (2013: Post-tax profit would have been HK$801,000 higher/lower, mainly as a result of higher/lower interest income pledged bank deposits and cash and cash equivalents).

*(b) Credit risk*

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For credit risk in respect of cash and cash equivalents with banks, the Group manages this risk by placing cash and cash equivalents and deposits with major local banks and state-owned banks in the PRC with good credit standing.

For credit risk in respect of trade receivables from customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. For each individually significant trade receivable, the assessment is made on an individual basis.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(b) Credit risk (Continued)*

The credit risk is characterized by having high concentration of business with several reputable customers. The Group's four (2013: Two) largest group of trade debtors accounted for 89% of its total gross trade receivables as at September 30, 2014 (2013: 92%) as below.

| | **2014** | 2013 |
|---|---|---|
| PRC Customer A | **50%** | 45% |
| Australia Customers | **–** | 47% |
| Australia Customer A | **23%** | – |
| Australia Customer B | **16%** | – |

As at September 30, 2014 and 2013, PRC Customer A represents a group of major customers with long-term reputation.

As at September 30, 2013, the Australia Customers represents the subsidiaries that the Group disposed of in May 2009 and December 2009. In May 2014, the Group signed deeds of novation and assignment with Australia Customer A and the Australia Customers, pursuant to which Australia Customer A had agreed to assume the obligations to repay the indebtedness due to the Group in place of the Australia Customers. In July 2015, Opal (Macao Commercial Offshore) Limited ("**OPAL**"), a wholly owned subsidiary of the Company, issued filed a claim and winding up petitions against Australia Customer A and Australia Customer B. The details of the litigation was disclosed in Note 2.1.1(C).

The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Management believes that the credit risk related to these customers is not significant after the impairment of trade receivables of Australia Customer A, Australia Customer B and Customer C. Settlements from PRC Customer A and others are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified and follow-up action is taken to recover the overdue debts.

*(c) Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of an adequate amount of credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining years at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months or are repayable on demand equal their carrying balances, as the impact of discounting is not significant.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(c) Liquidity risk (Continued)*

| | On demand and less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At September 30, 2014** | | | | |
| Other loans | **479,919** | **–** | **–** | **479,919** |
| Trade and other payables | **335,618** | **–** | **–** | **335,618** |
| Obligations under finance leases | **1,693** | **1,781** | **4,251** | **7,725** |
| Interest payments on other bank loans | **11,476** | **–** | **–** | **11,476** |
| Interest payments on finance lease | **326** | **238** | **217** | **781** |

| | On demand and less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At September 30, 2013** | | | | |
| Term loans | 133,643 | – | – | 133,643 |
| Other loans | 365,725 | – | – | 365,725 |
| Trade and other payables | 252,784 | – | – | 252,784 |
| Obligations under finance leases | 283 | 299 | 689 | 1,271 |
| Interest payments on term loans | 11,814 | – | – | 11,814 |
| Interest payments on other bank loans | 32,331 | – | – | 32,331 |
| Interest payments on finance lease | 61 | 43 | 39 | 143 |

The following table summarizes the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(c) Liquidity risk (Continued)*

| | Less than 1 year HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At September 30, 2014** | | | | |
| Term loans subject to a repayment on demand clause | – | – | – | – |
| **At September 30, 2013** | | | | |
| Term loans subject to a repayment on demand clause | 59,958 | 50,042 | 23,643 | 133,643 |

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on total borrowings and obligations under finance leases divided by total equity multiplied by 100%.

The gearing ratios of the Group as at September 30, 2014 and 2013 were as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Total borrowings *(Notes 28 and 30)* | **487,644** | 500,639 |
| Total equity | **1,792,832** | 1,792,754 |
| Gearing ratio | **27.2%** | 27.9% |

The decrease in the gearing ratio as at September 30, 2014 was the result of repayment of bank borrowings during the year ended September 30, 2014.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.3 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 September 30, 2014 and 2013 by level of the inputs to valuation techniques used to measure fair value.

**At September 30, 2014**

| Group | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Aluminium futures contracts | **4,144** | **–** | **–** | **4,144** |

**At September 30, 2013**

| Group | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Equity-index embedded derivatives | – | 651 | – | 651 |
| **Liabilities** | | | | |
| Forward foreign exchange contracts | – | (827) | – | (827) |
| Aluminium futures contracts | (2,722) | – | – | (2,722) |

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

There were no transfers between levels 1 and 2 during the year.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily aluminium future contracts classified as trading securities.

# Notes to the Consolidated Financial Statements

## 3 Financial risk management *(Continued)*

### 3.3 Fair value estimation *(Continued)*

*(b) Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 4 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. Save as disclosed in Note 2.1.1, 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 20.

# Notes to the Consolidated Financial Statements

## 4 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 3.3.

### (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.

### (e) Estimated useful lives and impairment of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expense would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Save as disclosed in Note 2.1.1(B), after the write off on construction in progress, management considered there was no impairment indicator of remaining property, plant and equipment and construction in progress as at September 30, 2014 as these assets were used for profitable projects, and there is a strong demand of these property, plant and equipment in the second hand market (2013: Same).

## 5 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 Consolidated Financial Statements

## 5 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 include 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 include 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 year ended September 30, 2014 is as follows:

| | **Electronics parts HK$'000** | **Branded OPLV products HK$'000** | **Construction and industrial products HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| Sales to external customers | **1,453,293** | **332,581** | **1,040,765** | **2,826,639** |
| Cost of sales | **(1,096,456)** | **(299,951)** | **(876,432)** | **(2,272,839)** |
| Segment gross profit | **356,837** | **32,630** | **164,333** | **553,800** |
| Unallocated operating costs | | | | **(609,395)** |
| Other income | | | | **147,819** |
| Other losses – net | | | | **(43,700)** |
| Finance costs – net | | | | **(15,372)** |
| Share of loss of an associated company | | | | **(2,130)** |
| Profit before income tax | | | | **31,022** |

The segment information for the operating segments for the year ended September 30, 2013 is as follows:

| | Electronics parts HK$'000 | Branded OPLV products HK$'000 | Construction and industrial products HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Sales to external customers | 1,320,303 | 323,756 | 939,676 | 2,583,735 |
| Cost of sales | (955,729) | (260,881) | (768,430) | (1,985,040) |
| Segment gross profit | 364,574 | 62,875 | 171,246 | 598,695 |
| Unallocated operating costs | | | | (362,667) |
| Other income | | | | 1,938 |
| Other losses – net | | | | (37,381) |
| Finance costs – net | | | | (20,885) |
| Profit before income tax | | | | 179,700 |

# Notes to the Consolidated Financial Statements

## 5 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 years ended September 30, 2014 and 2013 consists of the following:

| | **2014** | | | | | |
|---|---|---|---|---|---|---|
| | **The PRC HK$'000** | **Australia HK$'000** | **North America HK$'000** | **Hong Kong HK$'000** | **Others HK$'000** | **Total HK$'000** |
| Sales to external customers | **1,882,113** | **756,979** | **23,034** | **107,592** | **56,921** | **2,826,639** |
| Cost of sales | **(1,459,876)** | **(644,258)** | **(21,951)** | **(91,809)** | **(54,945)** | **(2,272,839)** |
| Gross profit | **422,237** | **112,721** | **1,083** | **15,783** | **1,976** | **553,800** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | The PRC HK$'000 | Australia HK$'000 | North America HK$'000 | Hong Kong HK$'000 | Others HK$'000 | Total HK$'000 |
| Sales to external customers | 1,707,535 | 740,466 | 24,370 | 67,272 | 44,092 | 2,583,735 |
| Cost of sales | (1,273,984) | (584,469) | (23,516) | (59,227) | (43,844) | (1,985,040) |
| Gross profit | 433,551 | 155,997 | 854 | 8,045 | 248 | 598,695 |

Details of customers accounting for 10% or more of total revenue are as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| PRC Customer A | **1,427,739** | 1,288,990 |
| Australia Customers | **374,561** | 637,050 |

The geographical locations of non-current assets are determined based on the countries of domicile of the companies now comprising the Group. The total of non-current assets located in respective geographical locations is as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| The PRC | **954,979** | 522,064 |
| Hong Kong | **11,055** | 3,851 |
| Other countries | **2,366** | 152 |
| | **968,400** | 526,067 |

# Notes to the Consolidated Financial Statements

## 6 Expenses by nature

Expenses included in cost of sales, distribution and selling expenses and administrative expenses are analyzed as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Auditor's remuneration – current year | **10,300** | 4,348 |
| Operating leases – land and buildings | **25,249** | 24,239 |
| Changes in inventories of finished goods and work in progress | **18,082** | (93,750) |
| Raw materials and consumables used | **1,957,109** | 1,788,040 |
| Loss on disposal of property, plant and equipment | **1,659** | 2,201 |
| Employee benefit expenses *(Note 7)* | **323,206** | 337,743 |
| Depreciation: | | |
| Owned property, plant and equipment *(Note 15)* | **66,022** | 54,250 |
| Leased property, plant and equipment *(Note 15)* | **840** | 154 |
| Write off on property, plant and equipment *(Note 15)* | **50,713** | – |
| Provision for impairment on prepayment to a supplier for purchases of raw materials *(Note 20)* | **33,014** | – |
| Write off of prepayment to a supplier for purchases of property, plant and equipment *(Note 20)* | **3,474** | – |
| Write off of trade receivables *(Note 20)* | **100,102** | – |
| Amortization of land use rights *(Note 16)* | **771** | 231 |
| Legal and professional fees | **34,919** | 2,486 |

## 7 Employee benefit expenses (including directors' emoluments)

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Wages and salaries | **287,065** | 308,614 |
| Pension cost – social security costs | **8,088** | 8,122 |
| Pension cost – defined contribution plans | **725** | 622 |
| Share-based payment | **8,382** | – |
| Other benefits | **18,946** | 20,385 |
| | **323,206** | 337,743 |

# Notes to the Consolidated Financial Statements

## 8 Directors' emoluments and five highest paid individuals

### (a) Directors' emoluments

The emoluments of individual director of the Company during the years ended September 30, 2014 and 2013 were set out as follows:

| September 30, 2014 | Fees HK$'000 | Salaries and allowances HK$'000 | Share award scheme HK$'000 | Discretionary and retirement bonus HK$'000 | Pension HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Name of directors | | | | | | |
| **Executive directors:** | | | | | | |
| Mr. Pan Marcus ("**Mr. Pan**") *(Note i)* | 240 | 1,865 | – | – | 180 | 2,285 |
| Ms. Shao Liyu ("**Ms. Shao**") (formerly known as Ms. Shao Lidan) *(Note ii)* | 120 | 2,363 | – | – | 51 | 2,534 |
| Ms. Ng Bonnie Po Ling ("**Ms. Ng**") *(Note iii)* | 120 | 1,718 | – | – | 135 | 1,973 |
| Mr. Xing Hui Min ("**Mr. Xing**") *(Note iv)* | – | 196 | – | – | 1 | 197 |
| Mr. Fung Chi Kong Felix ("**Mr. Fung**") *(Note v)* | 120 | 2,880 | – | – | 16 | 3,016 |
| Mr. Lee Hui Fu ("**Mr. Lee**") *(Note vi)* | 90 | 1,254 | – | – | 8 | 1,352 |
| **Non-executive directors:** | | | | | | |
| Mr. Lee *(Note vi)* | 150 | – | – | – | – | 150 |
| **Independent non-executive directors** | | | | | | |
| Mr. Liu Hoi Keung ("**Mr. Liu**") *(Note vii)* | 36 | – | – | – | – | 36 |
| Mr. Tsang Wah Kwong ("**Mr. Tsang**") *(Note viii)* | 240 | – | – | – | – | 240 |
| Mr. Chan Nim Leung Leon ("**Mr. Chan**") *(Note ix)* | 200 | – | – | – | – | 200 |
| Mr. Wong Yee Shuen Wilson ("**Mr. Wong**") *(Note x)* | 200 | – | – | – | – | 200 |
| Mr. Tse Chiang Kwok Nasaar ("**Mr. Tse**") *(Note xi)* | 167 | – | – | – | – | 167 |
| | 1,683 | 10,276 | – | – | 391 | 12,350 |

# Notes to the Consolidated Financial Statements

## 8 Directors' emoluments and five highest paid individuals *(Continued)*

### (a) Directors' emoluments *(Continued)*

The emoluments of individual director of the Company during the years ended September 30, 2014 and 2013 were set out as follows: *(Continued)*

| September 30, 2013 | Fees HK$'000 | Salaries and allowances HK$'000 | Share Award Scheme HK$'000 | Discretionary and retirement bonus HK$'000 | Pension HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Name of directors | | | | | | |
| **Executive directors:** | | | | | | |
| Mr. Pan *(Note i)* | 1,675 | 425 | – | – | 180 | 2,280 |
| Ms. Shao (formerly known as Ms. Shao Lidan) *(Note ii)* | 1,287 | 1,208 | – | – | 67 | 2,562 |
| Mr. Leung Chi Wing ("**Mr. Leung**") *(Note xii)* | – | 4,480 | – | 12,000 | 15 | 16,495 |
| **Independent non-executive directors** | | | | | | |
| Mr. Tsang *(Note viii)* | 240 | – | – | – | – | 240 |
| Mr. Chan *(Note ix)* | 200 | – | – | – | – | 200 |
| Mr. Wong *(Note x)* | 200 | – | – | – | – | 200 |
| Mr. Tse *(Note xi)* | 33 | – | – | – | – | 33 |
| | 3,635 | 6,113 | – | 12,000 | 262 | 22,010 |

*Notes:*

(i) Mr. Pan resigned as an executive director, chief executive officer ("**CEO**") and chairman on December 15, 2014.

(ii) Ms. Shao was appointed as the CEO on April 22, 2015 and was the chairlady of the Company during the period from December 16, 2014 to November 8, 2017, respectively.

(iii) Ms. Ng was appointed as an executive director and joint chief executive officer ("**Joint CEO**") on October 1, 2013 and October 1, 2014, respectively. She ceased to hold office as an executive director and Joint CEO on October 1, 2015 and April 22, 2015, respectively.

(iv) Mr. Xing was appointed as an executive director on July 3, 2014. He resigned as an executive director on January 1, 2015.

(v) Mr. Fung was appointed as an executive director on October 1, 2013. He resigned as the executive director on October 1, 2014.

(vi) Mr. Lee was appointed as an executive director on October 1, 2013. He was re-designated from an executive director to a non-executive director on June 18, 2014. He resigned as a non-executive director on January 1, 2015.

# Notes to the Consolidated Financial Statements

## 8 Directors' emoluments and five highest paid individuals *(Continued)*

### (a) Directors' emoluments *(Continued)*

*Notes: (Continued)*

(vii) Mr. Liu was appointed as an independent non-executive director and Joint CEO on July 28, 2014 and October 1, 2014, respectively. He was re-designated from the independent non-executive director to an executive director on October 1, 2014. He was re-designated from the executive director to an independent non-executive director on July 17, 2015. He ceased to hold office as a non-executive director on October 1, 2015. He ceased to hold office as Joint CEO on April 22, 2015.

(viii) Mr. Tsang ceased to hold the office as an independent non-executive director on January 18, 2016.

(ix) Mr. Chan resigned as an independent non-executive director on December 4, 2014.

(x) Mr. Wong resigned as an independent non-executive director on July 4, 2014.

(xi) Mr. Tse resigned as an independent non-executive director on July 31, 2014.

(xii) Mr. Leung resigned as an executive director on October 1, 2013.

(xiii) Mr. Zhu Hongtao was appointed as an executive director on January 1, 2015.

(xiv) Mr. Tsang Ming Chit Stanley was appointed as an independent non-executive director on February 11, 2015. He ceased to be the independent non-executive director on February 11, 2016.

(xv) Mr. Ma Yuyan was appointed as an executive director on July 1, 2015. He resigned as the executive director on May 9, 2017.

(xvi) Mr. Cheung Chun Sing Horatio was appointed as an independent non-executive director on October 1, 2014. He ceased to hold office as the independent non-executive director on October 1, 2015.

(xvii) Mr. Ching Yu Lung was appointed an independent non-executive on October 1, 2015. He resigned as an independent non-executive director on February 28, 2016.

(xviii) Mr. Choi Tze Kit Sammy was appointed as an independent non-executive director on February 11, 2016. He ceased to be the independent non-executive director on February 11, 2017.

(xix) Mr. Lam Kwok Fai Osmond was appointed as an independent non-executive director on March 21, 2016. He ceased to be the independent non-executive director on March 21, 2017.

(xx) Mr. Tang Warren Louis was appointed as an independent non-executive director on March 21, 2016. He ceased to be the independent non-executive director on March 21, 2017.

(xxi) Mr. Cosimo Borrelli was appointed as a non-executive director on May 27, 2016 and Non-Executive Chairman on November 9, 2017.

(xxii) Ms. Chi Lai Man Jocelyn was appointed as a non-executive director on May 27, 2016.

(xxiii) Mr. Mar Selwyn was appointed as an independent non-executive director on February 8, 2017.

(xxiv) Mr. Chan Kai Nang was appointed as an independent non-executive director on February 24, 2017.

(xxv) Mr. Leung Ka Tin was appointed as an independent non-executive director on February 24, 2017.

(xxvi) Mr. Chan Kai Lun Allan was appointed as an executive director on March 27, 2017.

# Notes to the Consolidated Financial Statements

## 8 Directors' emoluments and five highest paid individuals *(Continued)*

### (a) Directors' emoluments *(Continued)*

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies comprising the Group during the year ended September 30, 2014 (2013: Same).

### (b) Five highest paid individuals

For the year ended September 30, 2014, the five individuals whose emoluments were the highest in the Group include 4 directors (2013: 3), whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 1 (2013: 2) individual are as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Salaries and allowances | **3,415** | 8,327 |
| Pension | **40** | 105 |
| | **3,455** | 8,432 |

The emoluments of these remaining individuals fell within the following emolument bands:

| | **2014** | 2013 |
|---|---|---|
| HK$3,000,001 to HK$3,500,000 | **1** | – |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| HK$4,500,001 to HK$5,000,000 | **–** | 1 |
| | **1** | 2 |

During the year ended September 30, 2014, none of the directors of the Company or the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments (2013: Same, except for Mr. Fung who received a one-time sign-up fee of HK$6,000,000 and became an executive director of the Company with effect from October 1, 2013).

# Notes to the Consolidated Financial Statements

## 9 Other income

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Government grant *(Note)* | **145,726** | – |
| Forfeiture of customer deposits | **859** | 150 |
| Insurance claims | **485** | 1,106 |
| Others | **749** | 682 |
| | **147,819** | 1,938 |

*Note:*

Government grant amounting to HK$145,726,000 (RMB114,759,000) represented incentive receivable from People's Government of Wolong District ("**Wolong District Government**") in accordance with the supportive preferential policy pursuant to the investment agreement for the Group's development of high technology enterprise in the Wolong District at the Nanyang Optoelectronics Industry Cluster Area in Nanyang City, Henan Province, the PRC ("**Nanyang City**"). All grants had been received during September 30, 2014 (2013: Nil).

## 10 Other losses – net

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Net exchange losses | **(31,466)** | (39,968) |
| Gain on derivative financial instruments – foreign exchange forward contracts | **827** | 5,101 |
| Fair value gain on derivative financial instruments – equity-index embedded derivative | **–** | 177 |
| Loss on derivative financial instruments – aluminium futures contracts | **(13,061)** | (2,691) |
| | **(43,700)** | (37,381) |

# Notes to the Consolidated Financial Statements

## 11 Finance income and costs

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Interest income: | | |
| Interest income on capital guaranteed fund | **130** | 35 |
| Interest income on bank deposits | **2,824** | 1,481 |
| Finance income | **2,954** | 1,516 |
| Interest expenses: | | |
| Interest expense on bank borrowings wholly repayable within 5 years | **(18,163)** | (22,332) |
| Interest element of finance leases | **(163)** | (69) |
| Finance costs | **(18,326)** | (22,401) |
| Finance costs – net | **(15,372)** | (20,885) |

## 12 Income tax expense/(credit)

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended September 30, 2014 (2013: Same).

The Group's operations in the PRC are subject to the PRC corporate income tax. No PRC corporate income tax has been provided as the Group has no estimated assessable profit for the year ended September 30, 2014 (2013: Same). The standard PRC corporate income tax rate was 25% for the year ended September 30, 2014 (2013: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL is exempted from Macao Complementary Tax during the year ended September 30, 2014 (2013: Same).

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Hong Kong profits tax | | |
| – current year | **337** | 138 |
| Overseas taxation | | |
| – current year | **28,120** | 6,942 |
| – over-provision in prior years *(Note)* | **–** | (40,911) |
| | **28,457** | (33,831) |

*Note:*

On February 6, 2013, the Group received the additional PRC corporate income tax assessments from PRC relevant tax bureau regarding the years of assessment from 2008 to 2010. In response to these assessments, a total payment of RMB3,292,000 (equivalent to HK$4,082,000) has been made by the Group to the tax bureau in March 2013. In the opinion of the management, it has been confirmed with the tax bureau that no further tax liabilities are payable for the years of assessment prior to 2008. Accordingly, the excess tax provision of RMB30,140,000 (equivalent to HK$37,376,000) has been reversed during the year ended September 30, 2013.

# Notes to the Consolidated Financial Statements

## 12 Income tax expense/(credit) *(Continued)*

Moreover, an overprovision of PRC corporate income tax of RMB2,797,000 (equivalent to HK$3,535,000) previously provided for 2012 as at September 30, 2012 has been reversed during the year ended September 30, 2013.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the companies comprising the Group as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Profit before income tax | **31,022** | 179,700 |
| Tax calculated at Hong Kong profits tax rate of 16.5% | **5,118** | 29,651 |
| Income not subject to tax | **(747)** | (35) |
| Expenses not deductible for tax purposes | **8,670** | 5,221 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(97,337)** | (88,509) |
| Tax losses for which no deferred income tax asset was recognized | **78,420** | 48,732 |
| Over provision in prior years | **–** | (40,911) |
| Other temporary differences not recognized | **34,333** | 12,020 |
| Income tax expense/(credit) | **28,457** | (33,831) |

As at September 30, 2014, the Group had unrecognized tax losses of approximately HK$526,627,000 (2013: HK$240,462,000) to carry forward against future taxable income. The tax losses will expire as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| With no expiry date | **59,610** | 53,961 |
| Expiry year: | | |
| – 2014 | **–** | 10,827 |
| – 2015 | **18,273** | 18,266 |
| – 2016 | **2,865** | 2,864 |
| – 2017 | **27,645** | 27,634 |
| – After 2017 | **418,234** | 126,910 |
| | **526,627** | 240,462 |

# Notes to the Consolidated Financial Statements

## 12 Income tax expense/(credit) *(Continued)*

As at September 30, 2014, the subsidiary has no unremitted earning and no deferred income tax liability arising thereon. Management is of the view that unremitted earnings are intended for re-investment in the PRC and there is no current plan for distribution (2013: Same).

On March 27, 2013, the Hong Kong Inland Revenue Department ("**IRD**") issued protective estimated assessments for the year of assessment 2006/07 to the Company and certain of its subsidiaries, demanding profits tax payments. 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 assessment year 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.

## 13 Earnings per share

### (a) Basic

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

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **2,565** | 213,531 |
| Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands) | **1,095,018** | 1,095,616 |
| Basic earnings per share (HK cents) | **0.2** | 19.5 |

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares held for share award scheme) with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares under the share award scheme.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **2,565** | 213,531 |
| Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands) | **1,095,018** | 1,095,616 |
| Adjustment for shares held for share award scheme (thousands) | **287** | – |
| | **1,095,305** | 1,095,616 |
| Diluted earnings per share (HK cents) | **0.2** | 19.5 |

# Notes to the Consolidated Financial Statements

## 14 Dividends

| | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|
| Interim dividends declared and paid by a subsidiary of the Group prior to reorganization *(Note (a))* | – | 50,000 |
| Interim dividend of 20 HK cents per ordinary share declared and paid by the Company *(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 reorganization which was completed on October 12, 2012.

(b) Interim dividend was declared by the Company to its equity holders. The amount of such interim dividend for the year ended September 30, 2013 was based on 1,200,000,000 shares in issue as at May 22, 2013 (Note 25).

The aggregate amounts of the dividends paid during the year ended September 30, 2013 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

No dividend has been paid or declared by the Company during the year ended September 30, 2014 (2013: Nil).

# Notes to the Consolidated Financial Statements

## 15 Property, plant and equipment

| | Buildings HK$'000 | Plant and machinery HK$'000 | Office equipment HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **At October 1, 2012** | | | | | | | |
| Cost | 45,254 | 516,263 | 15,547 | 1,332 | 12,533 | 2,339 | 593,268 |
| Accumulated depreciation | (16,127) | (163,056) | (7,856) | (747) | (5,845) | – | (193,631) |
| **Net book amount** | 29,127 | 353,207 | 7,691 | 585 | 6,688 | 2,339 | 399,637 |
| **Year ended September 30, 2013** | | | | | | | |
| Opening net book amount | 29,127 | 353,207 | 7,691 | 585 | 6,688 | 2,339 | 399,637 |
| Exchange differences | 773 | 9,702 | 139 | 27 | 185 | 119 | 10,945 |
| Additions | 47 | 131,024 | 2,821 | 1,180 | 4,725 | 17,752 | 157,549 |
| Transfers | – | 11,007 | – | – | – | (11,007) | – |
| Disposals *(Note 31(c))* | – | (2,053) | (123) | – | (73) | – | (2,249) |
| Depreciation *(Note 6)* | (2,702) | (45,998) | (3,344) | (217) | (2,143) | – | (54,404) |
| **Closing net book amount** | 27,245 | 456,889 | 7,184 | 1,575 | 9,382 | 9,203 | 511,478 |
| **At September 30, 2013** | | | | | | | |
| Cost | 46,554 | 653,635 | 18,553 | 2,542 | 16,819 | 9,203 | 747,306 |
| Accumulated depreciation | (19,309) | (196,746) | (11,369) | (967) | (7,437) | – | (235,828) |
| **Net book amount** | 27,245 | 456,889 | 7,184 | 1,575 | 9,382 | 9,203 | 511,478 |
| **Year ended September 30, 2014** | | | | | | | |
| Opening net book amount | 27,245 | 456,889 | 7,184 | 1,575 | 9,382 | 9,203 | 511,478 |
| Exchange differences | 22 | (252) | 39 | (45) | (113) | (220) | (569) |
| Additions | – | 62,168 | 3,939 | 1,347 | 15,480 | 109,281 | 192,215 |
| Transfers | – | 14,564 | – | – | – | (14,564) | – |
| Write off *(Note)* | – | – | – | – | – | (50,713) | (50,713) |
| Disposals *(Note 31(c))* | – | (301) | (668) | (1,971) | (664) | – | (3,604) |
| Depreciation *(Note 6)* | (2,790) | (56,572) | (3,632) | (285) | (3,583) | – | (66,862) |
| **Closing net book amount** | 24,477 | 476,496 | 6,862 | 621 | 20,502 | 52,987 | 581,945 |
| **At September 30, 2014** | | | | | | | |
| Cost | 46,572 | 729,820 | 20,928 | 1,691 | 29,529 | 52,987 | 881,527 |
| Accumulated depreciation | (22,095) | (253,324) | (14,066) | (1,070) | (9,027) | – | (299,582) |
| **Net book amount** | 24,477 | 476,496 | 6,862 | 621 | 20,502 | 52,987 | 581,945 |

# Notes to the Consolidated Financial Statements

## 15 Property, plant and equipment *(Continued)*

*Note:* As disclosed in Note 2.1.1(B), an amount of RMB39,936,000 (equivalent to HK$50,713,000) in relation to the Nanyang Construction had been written off the administrative expenses during the year ended September 30, 2014.

As at September 30, 2014, the net book value of buildings pledged as securities for the Group's banking facilities was HK$24,477,000 (2013: HK$27,245,000) (Note 30).

As at September 30, 2014, the net book value of motor vehicles held by the Group under finance leases was HK$8,968,000 (2013: HK$1,356,000) as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Cost – Capitalized finance leases | **9,693** | 1,506 |
| Accumulated depreciation | **(725)** | (150) |
| Net book amount | **8,968** | 1,356 |

Depreciation expense of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Cost of sales | **60,902** | 50,129 |
| Administrative expenses | **5,960** | 4,275 |
| | **66,862** | 54,404 |

All buildings are located in the PRC.

# Notes to the Consolidated Financial Statements

## 16 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| The PRC, held on leases of between 10 to 50 years | **9,040** | 9,326 |
| Overseas, freehold | **6,109** | – |
| | **15,149** | 9,326 |

As at September 30, 2014, land use rights with net book value of HK$9,040,000 were pledged as securities for the Group's bank borrowings (2013: HK$9,326,000) (Note 30).

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Opening net book amount | **9,326** | 9,356 |
| Addition | **6,405** | – |
| Amortization for the year *(Note 6)* | **(771)** | (231) |
| Exchange differences | **189** | 201 |
| Closing net book amount | **15,149** | 9,326 |

Amortization expense has been charged to "**administrative expenses**" in the consolidated statement of comprehensive income.

## 17 Investments in subsidiaries, an associated company and controlled structured entity

### (a) Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2014 HK$'000 | 2013 HK$'000 |
| Unlisted shares, at cost | **836,699** | 828,317 |
| Less: provision for impairment | **(160,196)** | – |
| | **676,503** | 828,317 |

### (b) Due from a subsidiary

| | Company | |
|---|---|---|
| | 2014 HK$'000 | 2013 HK$'000 |
| Due from a subsidiary | **1,115,209** | 1,125,952 |

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

The carrying value of the amounts due from a subsidiary approximates its fair value.

# Notes to the Consolidated Financial Statements

## 17 Investments in subsidiaries, an associated company and controlled structured entity *(Continued)*

### (c) Particulars of subsidiaries

The following is a list of the principal subsidiaries at September 30, 2014:

| Name of company | Place of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest | Principal activities and place of operations |
|---|---|---|---|---|
| PanAsia Aluminium (Hong Kong) Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | 100% (indirect) | Trading of aluminium products/Hong Kong |
| PanAsia Aluminium Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | 100% (indirect) | Investment holding and provision of management services/Hong Kong |
| PanAsia Trading Limited | Hong Kong | 10,000 ordinary shares of HK$1 each | 100% (indirect) | Trading of aluminium products/Hong Kong |
| OPAL (Macao Commercial Offshore) Limited ("**OPAL**") | Macao | Registered capital of MOP1,000,000 | 100% (indirect) | Trading of aluminium products/Macao |
| 榮陽鋁業(中國)有限公司 ("**PanAsia Aluminium (China) Co., Ltd.**")# | The PRC, limited liability company | Registered capital of US$76,800,000 and paid-up capital of US$76,800,000 | 100% (indirect) | Manufacturing and trading of aluminium products/ the PRC |
| 廣州澳普利發門窗系統有限公司 ("**Guangzhou OPLV Doors and Windows Systems Co., Ltd.**")# | The PRC, limited liability company | Registered capital of US$20,000,000 and paid-up capital of US$20,000,000 | 100% (indirect) | Processing and trading of windows and doors system/the PRC |
| 廣州榮富電子科技有限公司 ("**Guangzhou Rongfu Electronics Technology Co. Ltd.**")# | The PRC, limited liability company | Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000 | 100% (indirect) | Manufacturing, developing and trading of electronics products and computer parts/ the PRC |
| Cepa Chance Investments Limited | The BVI | 1 ordinary share of US$1 each | 100% (indirect) | Trading of aluminium products/Macao |
| Triplerich Associates Limited | The BVI | 1 ordinary share of US$1 each | 100% (indirect) | Holding of trademarks |

# Notes to the Consolidated Financial Statements

## 17 Investments in subsidiaries, an associated company and controlled structured entity *(Continued)*

### (c) Particulars of subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at September 30, 2014: *(Continued)*

| Name of company | Place of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Equity interest | Principal activities and place of operations |
|---|---|---|---|---|
| 成都珍誠貿易有限公司 ("**Chengdu Zhencheng Trading Co., Ltd.**")# | The PRC, limited liability company | Registered capital of HK$10,000,000, and paid-up capital of HK$2,000,000 | 100% (indirect) | After sales services/the PRC |
| 榮陽實業(南陽)有限公司 ("**PanAsia Enterprises (Nanyang) Company Limited**")# | The PRC, limited liability company | Registered capital of USD148,000,000 and paid-up capital of USD56,595,738 | 100% (indirect) | Manufacturing and trading of aluminium products/ the PRC |
| 澳普利發(南陽)門窗系統有限公司 ("**OPLV (Nanyang) Doors and Windows Systems Co., Ltd.**")# | The PRC, limited liability company | Registered capital of USD30,000,000 and paid-up capital of USD4,500,000 | 100% (indirect) | Processing and trading of windows and doors system/the PRC |

\# The English names of certain subsidiaries referred to above represent the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

# Notes to the Consolidated Financial Statements

## 17 Investments in subsidiaries, an associated company and controlled structured entity *(Continued)*

### (d) Investment in an associated company

On August 28, 2014, PanAsia Enterprises Group Limited ("**PanAsia Enterprises**"), a wholly-owned subsidiary of the Company, entered into the subscription agreement pursuant to which PanAsia Enterprises agreed to subscribe for the shares of the Leading Sense Limited ("**Leading Sense**"), a company incorporated in the British Virgin Islands, which represent 45% issued share capital of Leading Sense. The consideration for the subscription was HK$17,524,000.

The associated company has issued share capital consisting solely of ordinary shares, with 2,000 ordinary shares of US$1 each.

Leading Sense is an investment holding company. Leasing Sense and its subsidiaries are principally engaged in the development, production and trading of smart phones, electronics products and related parts and components.

There are no contingent liabilities relating to the Group's interest in the associated company.

The amounts recognized in the consolidated statement of financial position are as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Investment in an associated company | **15,399** | – |

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| At October 1 | **–** | – |
| Investment cost | **17,524** | – |
| Share of loss of an associated company | **(2,130)** | – |
| Share of other comprehensive income | **5** | – |
| At September 30 | **15,399** | – |

The amounts recognized in the consolidated statement of comprehensive income are as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Share of loss: | **(2,130)** | – |

As disclosed in Note 2.1.1(D) and Note 21(ii), impairment of investment in an associated company would be charged to the administrative expenses for the year ended September 30, 2015.

# Notes to the Consolidated Financial Statements

## 17 Investments in subsidiaries, an associated company and controlled structured entity *(Continued)*

### (e) Controlled structured entity

The Group controls a structured entity which operates in Hong Kong, particulars of which are as follows:

| Structured entity | Principal activities |
|---|---|
| Employees' share award scheme (Employee share trust) | Purchases, administers and holds the Company shares for the share award scheme for the benefit of the Group's eligible employees |

As the employee share trust is set up solely for the purpose of purchasing, administering and holding Company's shares for the share award scheme, the Company has the power to direct the relevant activities of the employee share trust and it has the ability to use its power over the employee share trust to affect its exposure to returns. Therefore, the assets and liabilities of employee share trust are included in the consolidated and company statements of financial position and the Company's shares it held are presented as a deduction in equity as shares held for share award scheme.

# Notes to the Consolidated Financial Statements

## 18 Financial instruments by category

### (a) Group

| | Loans and receivables HK$'000 | Financial assets at fair value through profit or loss HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Assets as per consolidated statement of financial position** | | | |
| **September 30, 2014** | | | |
| Trade and bills receivables *(Note 20)* | **858,927** | **–** | **858,927** |
| Deposits and other receivables *(Note 20)* | **62,902** | **–** | **62,902** |
| Due from an associated company *(Note 21)* | **26,807** | **–** | **26,807** |
| Due from a related company *(Note 21)* | **4,200** | **–** | **4,200** |
| Capital guaranteed fund and derivative financial instruments *(Notes 22 and 23)* | **–** | **4,144** | **4,144** |
| Cash and cash equivalents *(Note 24)* | **387,145** | **–** | **387,145** |
| Total | **1,339,981** | **4,144** | **1,344,125** |
| **September 30, 2013** | | | |
| Trade receivables *(Note 20)* | 703,145 | – | 703,145 |
| Deposits and other receivables *(Note 20)* | 77,619 | – | 77,619 |
| Due from a related company *(Note 21)* | 3,385 | – | 3,385 |
| Capital guaranteed fund and derivative financial instruments *(Notes 22 and 23)* | 4,517 | 651 | 5,168 |
| Pledged bank deposits *(Note 24)* | 21,531 | – | 21,531 |
| Fixed bank deposits *(Note 24)* | 300,000 | – | 300,000 |
| Cash and cash equivalents *(Note 24)* | 498,694 | – | 498,694 |
| Total | 1,608,891 | 651 | 1,609,542 |

# Notes to the Consolidated Financial Statements

## 18 Financial instruments by category *(Continued)*

### (a) Group *(Continued)*

| | Financial liabilities at fair value through profit and loss HK$'000 | Other financial liabilities at amortized cost HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Liabilities as per consolidated statement of financial position** | | | |
| **September 30, 2014** | | | |
| Trade payables *(Note 29)* | **–** | **128,512** | **128,512** |
| Other payables and accrued charges | **–** | **173,037** | **173,037** |
| Amount due to a director | **–** | **2,663** | **2,663** |
| Borrowings *(Note 30)* | **–** | **479,919** | **479,919** |
| Obligations under finance leases *(Note 28)* | **–** | **7,725** | **7,725** |
| Total | **–** | **791,856** | **791,856** |
| **September 30, 2013** | | | |
| Trade payables *(Note 29)* | – | 103,155 | 103,155 |
| Other payables and accrued charges | – | 122,465 | 122,465 |
| Derivative financial instruments *(Note 23)* | 3,549 | – | 3,549 |
| Borrowings *(Note 30)* | – | 499,368 | 499,368 |
| Obligations under finance leases *(Note 28)* | – | 1,271 | 1,271 |
| Total | 3,549 | 726,259 | 729,808 |

### (b) Company

| | Loans and receivables 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Assets as per statement of financial position** | | |
| Due from a subsidiary | **1,115,829** | 1,125,952 |
| Cash and cash equivalents | **1,144** | 201 |
| | **1,116,973** | 1,126,153 |

# Notes to the Consolidated Financial Statements

## 18 Financial instruments by category *(Continued)*

### (b) Company *(Continued)*

| | Financial liabilities at amortized cost | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$'000** | HK$'000 |
| **Liabilities as per statement of financial position** | | |
| Other payable and accrued charges | **24** | 25 |

## 19 Inventories

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Raw materials | **107,018** | 124,062 |
| Work-in-progress | **99,943** | 109,346 |
| Finished goods | **87,102** | 95,781 |
| Total inventories | **294,063** | 329,189 |

A subsidiary of the Group pledged aluminium ingots amounting to HK$22,725,000 to an institution in exchange for a deposit placed with that institution to secure the Group's margin accounts for the purchase of aluminium as at September 30, 2014 (2013: Nil). The transactions have been accounted for as collateralized borrowings (Note 30).

The cost of inventories recognized as an expense and included in "**cost of sales**" amounted to HK$2,252,924,000 for the year ended September 30, 2014 (2013: HK$1,951,351,000).

## 20 Trade and bills receivables, prepayments, deposits and other receivables

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **954,212** | 703,145 |
| Less: Write off on trade receivables | **(95,475)** | – |
| Trade receivables – net | **858,737** | 703,145 |
| Bills receivables | **190** | – |
| Trade and bills receivables – net | **858,927** | 703,145 |

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 30 to 120 days (2013: 45 to 120 days). The Group does not hold any collateral as security.

# Notes to the Consolidated Financial Statements

## 20 Trade and bills receivables, prepayments, deposits and other receivables *(Continued)*

As of September 30, 2014, trade receivables of HK$95,475,000 were written off (2013: Nil). These written off receivables related to individual customers, namely, Australia Customer A, Australia Customer B and Customer C. The ageing of these receivables is as follows:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Current | **8,590** | – |
| 1 – 30 days | **8,054** | – |
| 31 – 60 days | **14,243** | – |
| 61 – 90 days | **3,695** | – |
| 91 – 180 days | **30,655** | – |
| 181 days – 1 year | **30,238** | – |
| | **95,475** | – |

As disclosed in Note 2.1.1(C), write off of HK$69,306,000 and HK15,056,000 in relation to irrecoverable trade receivables from Australia Customer A and Australia Customer B, respectively, had been charged to administrative expenses during the year ended September 30, 2014. In addition, write off of trade receivables from Customer C of HK$15,740,000 had been charged to the administrative expenses during the year ended September 30, 2014.

| | **2014** **HK$'000** |
|---|---|
| Write off on trade receivables charged to administrative expenses | **100,102** |
| Exchange realignment | **(4,627)** |
| Write off on trade receivables as at September 30, 2014 | **95,475** |

Subsequently, trade receivables of HK$149,341,000 and HK$36,352,000 due from Australia Customer B and Customer C, respectively, for the sales entered during the year ended September 30, 2015 had been written off and charged to the administrative expenses for the year ended September 30, 2015.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

# Notes to the Consolidated Financial Statements

## 20 Trade and bills receivables, prepayments, deposits and other receivables *(Continued)*

As at September 30, 2014, the ageing analysis of the trade and bills receivables based on due date was as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Current | **627,706** | 434,100 |
| 1 – 30 days | **63,566** | 83,338 |
| 31 – 60 days | **13,216** | 58,192 |
| 61 – 90 days | **58,800** | 77,139 |
| 91 – 180 days | **95,637** | 50,165 |
| 181 days – 1 year | **2** | 211 |
| | **858,927** | 703,145 |

As at September 30, 2014, receivables of HK$627,706,000 were neither past due nor impaired (2013: HK$434,100,000). These receivables relate to customers for whom there is no recent history of default.

As at September 30, 2014, trade receivables of HK$231,221,000 were past due but not impaired (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 September 30, 2014 (2013: Same).

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK$162,351,000 to bank in exchange for cash as at September 30, 2014 (2013: HK$180,080,000). The transactions have been accounted for as collateralized borrowings (Note 30).

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

As at September 30, 2014, the carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| AUD | **329,980** | 342,941 |
| RMB | **142,667** | 138,954 |
| USD | **359,174** | 210,863 |
| HKD | **27,106** | 10,387 |
| | **858,927** | 703,145 |

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above.

# Notes to the Consolidated Financial Statements

## 20 Trade and bills receivables, prepayments, deposits and other receivables *(Continued)*

As at September 30, 2014, breakdown of prepayments, deposits and other receivables was as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| **Non-current portion:** | | |
| Deposits and lease prepayments | **612** | 1,778 |
| Prepayments for property, plant and equipment *(Note i)* | **64,605** | 3,485 |
| Prepayments for land use rights *(Note ii)* | **290,690** | – |
| | **355,907** | 5,263 |
| **Current portion:** | | |
| Prepayment to suppliers for purchases of materials *(Note iii)* | **42,565** | 85,664 |
| Deposits placed for purchase of materials *(Note iv)* | **19,285** | 51,806 |
| Others | **47,677** | 31,308 |
| | **109,527** | 168,778 |

*Note i:* As disclosed in Note 2.1.1(B), an amount of RMB2,736,000 (equivalent to HK$3,474,000) in relation to the Nanyang Construction had been written off to administrative expenses during the year ended September 30, 2014.

*Note ii:* On October 1, 2013, the Group entered into an investment agreement with the Wolong District Government, pursuant to which the Group conditionally agreed to invest an aggregate sum of RMB3,000 million (equivalent to approximately HK$3,780 million) in the Nanyang City, 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 eight parcels of land located in the Nanyang City for a cash consideration of RMB197 million (equivalent to HK$250 million). As at September 30, 2014, the consideration has been paid. The remaining balances included in the prepayment represent those directly attributable costs including tax and other professional fees. Furthermore, the Group agreed to invest an aggregate sum of RMB2,890,590,000 (equivalent to approximately HK$3,655,273,000) in the Nanyang City (Note 32).

*Note iii:* As disclosed in Note 2.1.1(A), impairment provision of RMB25,999,000 (equivalent to HK$33,014,000) against the outstanding prepayments to Supplier A had been charged to the administrative expenses during the year ended September 30, 2014.

Subsequently, impairment provision of HK$16,043,000 for the irrecoverable prepayments for aluminium ingot made to Supplier A subsequent to year end would be charged to administrative expenses for the year ended September 30, 2015.

*Note iv:* The balance of HK$19,285,000 represents deposits placed with the institution to secure the Group's margin accounts for the purchase of aluminium (2013: HK$51,806,000), of which HK$18,980,000 was restricted for the purchase of aluminium as at September 30, 2014 (2013: HK$50,254,000). The deposits are non-interest bearing.

The other classes within trade and other receivables do not contain impaired assets (2013: same).

# Notes to the Consolidated Financial Statements

## 21 Due from a related company, due from an associated company and due to a director

### (i) Due from a related company:

The amount due is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value.

### (ii) Due from an associated company:

During the year ended September 30, 2014, the Group had advanced a total balance of HK$26,807,000 to Leading Sense and its subsidiaries. The balance is unsecured, interest-free and has no fixed term.

During the year ended September 30, 2015, the Group had made further advances to Leading Sense and its subsidiaries from which total balance due amounted to HK$47,503,000.

As disclosed in Note 2.1.1(D), investment in an associated company of HK$15,399,000 and amount due from an associated company totalling HK$44,841,000, after taking into account the settlement received from Leading Sense Group, had been written off and charged to the administrative expenses for the year ended September 30, 2015.

### (iii) Due to a director:

On August 28, 2014, PanAsia Enterprises and Mr. Pan entered into the deed of assignment pursuant to which Mr. Pan agreed to assign to PanAsia Enterprises the loan originally due to Mr. Pan by Leading Sense Group, for a cash consideration of HK$2,663,000. PanAsia Enterprises will pay such consideration to Mr. Pan at any time upon his request. The balance is unsecured, interest-free and has no fixed term. Subsequently, PanAsia Enterprises received the loan repayment from Leading Sense Group in July 2015.

## 22 Capital guaranteed fund

The Group's investment in capital guaranteed fund offers the Group a fixed guaranteed capital and a variable return depending on the performance index of Hong Kong listed equity securities of the fund.

The carrying value of capital guaranteed fund is stated at amortized cost and is denominated in USD. The fund held as at September 30, 2013 had been matured on December 11, 2013. For accounting purpose, the capital guaranteed fund is split into a loan and receivable component and a derivative component (Note 23).

# Notes to the Consolidated Financial Statements

## 23 Derivative financial instruments

### Assets

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Current portion: | | |
| Unlisted equity-index embedded derivative *(Note a)* | **–** | 651 |
| Aluminium futures contracts – held for trading *(Note c)* | **4,144** | – |
| | **4,144** | 651 |

### Liabilities

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Current portion: | | |
| Foreign exchange forward contracts – held for trading *(Note b)* | **–** | (827) |
| Aluminium futures contracts – held for trading *(Note c)* | **–** | (2,722) |
| | **–** | (3,549) |

# Notes to the Consolidated Financial Statements

## 23 Derivative financial instruments *(Continued)*

(a) *Equity-index embedded derivative*

The fair value of derivative is classified as a current or non-current asset in accordance with the remaining maturity date of capital guaranteed fund (Note 22).

The capital guaranteed fund was matured during the year ended September 30, 2013 and fair value gain of HK$177,000 was recognized as "**other loss-net**" in the consolidated statement of comprehensive income.

The Group did not have any unlisted equity-index embedded derivative during the year ended September 30, 2014.

(b) *Foreign exchange forward contracts*

Trading derivatives are classified as current assets or current liabilities. The foreign exchange forward contracts were to sell AUD and buy USD or HKD. The Group does not hold any foreign exchange forward contracts as at September 30, 2014. As at September 30, 2013, the notional principal amounts of the outstanding foreign exchange forward contracts were AUD12,000,000. For the year ended September 30, 2014, fair value gain of HK$827,000 was recognized as "**other losses – net**" in the consolidated statement of comprehensive income (2013: HK$5,101,000).

(c) *Aluminium futures contracts*

During the year ended September 30, 2014, the Group entered into aluminium future contracts in order to manage its exposure to the price risk of aluminium. The notional contract value outstanding as at September 30, 2014 and the related terms are summarized as below:

| | **2014**<br>**HK$'000** | 2013<br>HK$'000 |
|---|---|---|
| Purchase contracts<br>Volume (tonne) | **14,000** | 21,990 |
| Market value | **248,749** | 396,095 |
| Notional contract value | **(244,605)** | (398,817) |
| Fair value | **4,144** | (2,722) |
| Contract maturity date | **From November 2014 to March 2015** | From December 2013 to April 2014 |

The market value of future contracts is based on quoted market price at the end of reporting period. The unrealized holding gain on futures contracts remeasured at fair value was HK$4,162,000 as at September 30, 2014 (2013: Unrealized holding loss of HK$2,689,000) and the changes in fair value were recognized as "**other losses – net**" in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

## 24 Cash and cash equivalents and pledged bank deposits

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash in hand | **610** | 1,506 | **–** | – |
| Cash at bank | **386,535** | 497,188 | **1,144** | 201 |
| Cash and cash equivalents | **387,145** | 498,694 | **1,144** | 201 |
| Fixed bank deposits | **–** | 300,000 | **–** | – |
| Pledged bank deposits – Current | **–** | 21,531 | **–** | – |
| | **387,145** | 820,225 | **1,144** | 201 |
| Maximum exposure to credit risk | **386,535** | 818,719 | **1,144** | 201 |

As at September 30, 2013, bank deposits pledged as securities for the Group's banking facilities (Note 30) amounted to HK$21,531,000.

As at September 30, 2013, the effective interest rate on fixed bank deposits was 0.46%. These deposits had an average maturity of 170 days.

The cash at bank and in hand and bank deposits are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| HKD | **21,447** | 533,079 | **1,144** | 201 |
| AUD | **49,617** | 8,047 | **–** | – |
| RMB | **98,473** | 79,419 | **–** | – |
| USD | **217,566** | 199,635 | **–** | – |
| Canadian dollars | **3** | 3 | **–** | – |
| Macao pataca | **39** | 42 | **–** | – |
| | **387,145** | 820,225 | **1,144** | 201 |

# Notes to the Consolidated Financial Statements

## 25 Share capital

### Group and Company

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Number of shares** | **HK$'000** | Number of shares | HK$'000 |
| Authorized: | | | | |
| Ordinary shares of HK$0.10 each | **2,400,000,000** | **240,000** | 2,400,000,000 | 240,000 |
| Issued and fully paid: | | | | |
| As at October 1 | **1,200,000,000** | **120,000** | 1 | – |
| Shares issued pursuant to reorganization *(Note b)* | **–** | **–** | 999,999 | 100 |
| Shares issued pursuant to the capitalization issue *(Note d)* | **–** | **–** | 899,000,000 | 89,900 |
| New shares issued upon listing *(Note e)* | **–** | **–** | 300,000,000 | 30,000 |
| As at September 30 | **1,200,000,000** | **120,000** | 1,200,000,000 | 120,000 |

*Notes:*

(a) The Company was incorporated on October 7, 2005. Upon incorporation, the authorized share capital was HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. One share was issued on incorporation at par.

(b) On October 12, 2012, the Company issued and allotted 999,999 ordinary shares of HK$0.10 each at par to Easy Star Holdings Limited ("**Easy Star**") in exchange for the entire interests in PanAsia Enterprises Group Limited, the then wholly owned subsidiary of Easy Star. The Company capitalized an amount of HK$100,000 (Note 27) by debiting the share premium account of the Company and applied such sum to pay up 999,999 shares in full at par. The new ordinary shares issued rank pari passu with the existing shares in all respects.

(c) On January 18, 2013, the shareholders resolved to increase the authorized share capital of the Company from HK$380,000 to HK$240,000,000 by the creation of an addition of 2,396,200,000 shares.

(d) Pursuant to a shareholder's resolution dated January 18, 2013, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the Company's prospectus dated January 23, 2013, the Company capitalized an amount of HK$89,900,000 (Note 27) standing to the dedit of its share premium account and to appropriate such amount as capital to pay up 899,000,000 shares in full at par. The new ordinary shares issued rank pari passu with the existing shares in all respects.

(e) On February 5, 2013, the Company issued 300,000,000 new ordinary shares of HK$0.10 each at HK$4.13 per share in connection with its global offering and the commencement of the listing of its shares on the HKSE, and raised gross proceeds of approximately HK$1,239,000,000. The excess over the par value of HK$0.10 for the 300,000,000 ordinary shares issued net of transaction costs HK$117,991,000 was credited to "**share premium**" with amount of HK$1,091,009,000 (Note 27). The new ordinary shares issued rank pari passu with the existing shares in all respects.

# Notes to the Consolidated Financial Statements

## 26 Share award scheme

Starting from March 3, 2014, the Group's share award scheme has been in effect. The terms of the share award scheme provide for shares in the Company to be awarded to employees of the Group (including the executive Director) as part of their compensation package.

On April 7, 2014, following the Board's decision to award a sum of up to HK$10 million, the awarded shares are purchased from the market. Before vesting, the awarded shares are held in a trust set up by the share award scheme.

Details of the Awarded Shares awarded for the year ended September 30, 2014:

| Date of approval by the Board | Date of award | Awarded Sum HK$'000 | Number of shares purchased | Number of Awarded Shares awarded | Average fair value per share $ | Vesting date |
|---|---|---|---|---|---|---|
| April 16, 2014 | April 17, 2014 | 5,108 | 3,288,000 | 3,069,000 | 1.74 | April 17, 2014 |
| August 25, 2014 | August 26, 2014 | 2,996 | 2,681,000 | 2,305,000 | 1.32 | August 26, 2014 |

During the year ended September 30, 2014, the share award scheme acquired 5,969,000 Company shares (2013: Nil) through purchases on the open market. The total amount paid to acquire the shares during the year was HK$8,878,000 (2013: Nil).

During the year ended September 30, 2014, the share award scheme transferred 5,374,000 Company shares (2013: Nil) to the awardees upon vesting of awarded shares. The total cost of the vested shares was HK$8,104,000 (2013: Nil). During the year ended September 30, 2014, HK$278,000 (2013: Nil) was credited to share premium in respect of vesting of certain shares whose fair values are higher than the costs.

# Notes to the Consolidated Financial Statements

## 27 Reserves

| | | | | Group | | | |
|---|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Shares held for share award scheme HK$'000 | Employee share-based compensation reserve HK$'000 | Foreign Currency translation reserve HK$'000 | Statutory reserves HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
| Balance at October 1, 2013 | 1,001,009 | – | – | 42,232 | 19,245 | 610,268 | 1,672,754 |
| Profit for the year | – | – | – | – | – | 2,565 | 2,565 |
| Other comprehensive loss: | | | | | | | |
| Currency translation differences | – | – | – | (1,991) | – | – | (1,991) |
| Total comprehensive (loss) income for the year | – | – | – | (1,991) | – | 2,565 | 574 |
| Transactions with owners: | | | | | | | |
| Value of employee services *(Note 26)* | – | – | 8,382 | – | – | – | 8,382 |
| Shares purchased for share award scheme *(Note 26)* | – | (8,878) | – | – | – | – | (8,878) |
| Vesting of shares held under share award scheme *(Note 26)* | 278 | 8,104 | (8,382) | – | – | – | – |
| Total transactions with owners | 278 | (774) | – | – | – | – | (496) |
| Balance at September 30, 2014 | 1,001,287 | (774) | – | 40,241 | 19,245 | 612,833 | 1,672,832 |

# Notes to the Consolidated Financial Statements

## 27 Reserves *(Continued)*

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Shares held for share award scheme HK$'000 | Employee share-based compensation reserve HK$'000 | Foreign Currency translation reserve HK$'000 | Statutory reserves HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
| Balance at October 1, 2012 | – | – | – | 29,973 | 13,072 | 692,910 | 735,955 |
| Profit for the year | – | – | – | – | – | 213,531 | 213,531 |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | – | – | – | 12,259 | – | – | 12,259 |
| Total comprehensive income for the year | – | – | – | 12,259 | – | 213,531 | 225,790 |
| Transactions with owners: | | | | | | | |
| Transfer to statutory reserves *(Note)* | – | – | – | – | 6,173 | (6,173) | – |
| Shares issued pursuant to the reorganization *(Note 25(b))* | (100) | – | – | – | – | – | (100) |
| Shares issued pursuant to the capitalization issue *(Note 25(d))* | (89,900) | – | – | – | – | – | (89,900) |
| Proceeds from issuance of ordinary shares *(Note 25(e))* | 1,091,009 | – | – | – | – | – | 1,091,009 |
| Dividends paid *(Note 14)* | – | – | – | – | – | (290,000) | (290,000) |
| Total transactions with owners | 1,001,009 | – | – | – | 6,173 | (296,173) | 711,009 |
| Balance at September 30, 2013 | 1,001,009 | – | – | 42,232 | 19,245 | 610,268 | 1,672,754 |

# Notes to the Consolidated Financial Statements

## 27 Reserves *(Continued)*

*Note:*

The statutory reserves are set up by the Group's subsidiaries, namely PanAsia Aluminium (China) Co., Ltd. ("**PACL**") and OPAL, by way of appropriation from the profit for the year in accordance with the relevant laws and regulations in the People's Republic of China (the "**PRC**") and in Macao.

In the PRC, PACL is required to allocate at least 10% of its net profit for each voting period as reported in its PRC statutory accounts to the statutory reserves until such reserve reaches 50% of registered capital. The reserve is designated for statutory surplus reserve fund and an enterprise expansion fund which are non-distributable. The statutory surplus reserve fund can be used to make up its prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund can be used for expanding the capital base of PACL, by means of capitalization issue.

In Macao, the Macao Commercial Code#377 requires that OPAL should set aside a minimum of 25% of OPAL's profit for each voting period to the statutory reserves until the balance of the reserve reaches a level equivalent to 50% of the capital of OPAL. The reserve is non-distributable.

During the year ended September 30, 2014, there were no appropriations to the statutory reserves (2013: HK$6,173,000).

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Shares held for share award scheme HK$'000 | Employee share-based compensation reserve HK$'000 | Other reserves HK$'000 | Retained earnings/(equity holders' deficit) HK$'000 | Total HK$'000 |
| Balance at October 1, 2013 | 1,001,009 | – | – | 828,317 | 5,119 | 1,834,445 |
| Comprehensive loss: | | | | | | |
| Loss for the year | – | – | – | – | (161,117) | (161,117) |
| Total comprehensive loss for the year | – | – | – | – | (161,117) | (161,117) |
| Transactions with owners: | | | | | | |
| Value of employee services | – | – | 8,382 | – | – | 8,382 |
| Share purchased for share award scheme | – | (8,878) | – | – | – | (8,878) |
| Vesting of shares of share award scheme | 278 | 8,104 | (8,382) | – | – | – |
| Total transactions with owners | 278 | (774) | – | – | – | (496) |
| Balance at September 30, 2014 | 1,001,287 | (774) | – | 828,317 | (155,998) | 1,672,832 |

# Notes to the Consolidated Financial Statements

## 27 Reserves *(Continued)*

*Note: (Continued)*

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Share premium HK$'000 | Shares held for share award scheme HK$'000 | Employee share-based compensation reserve HK$'000 | Other reserves HK$'000 | (Equity holders' deficit)/retained earnings HK$'000 | Total HK$'000 |
| Balance at October 1, 2012 | – | – | – | – | (402) | (402) |
| Comprehensive income: | | | | | | |
| Profit for the year | – | – | – | – | 245,521 | 245,521 |
| Total comprehensive income for the year | – | – | – | – | 245,521 | 245,521 |
| Transactions with owners: | | | | | | |
| Surplus arising on issue of shares in exchange for shares in a subsidiary (Note a) | – | – | – | 828,317 | – | 828,317 |
| Shares issued pursuant to the reorganization | (100) | – | – | – | – | (100) |
| Proceeds from issuance of ordinary shares | 1,091,009 | – | – | – | – | 1,091,009 |
| Credited pursuant to the capitalization issue | (89,900) | – | – | – | – | (89,900) |
| Dividends paid (Note 14) | – | – | – | – | (240,000) | (240,000) |
| Total transactions with owners | 1,001,009 | – | – | 828,317 | (240,000) | 1,589,326 |
| Balance at September 30, 2013 | 1,001,009 | – | – | 828,317 | 5,119 | 1,834,445 |

*Note a:* The surplus arising on issue of shares in exchange for shares in a subsidiary arose as a result of the reorganization and represents the excess of the consolidated net asset value of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

# Notes to the Consolidated Financial Statements

## 28 Obligations under finance leases

As at September 30, 2014, the Group's finance lease liabilities were repayable as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Within one year | **2,019** | 343 |
| In the second to fifth year | **6,487** | 1,071 |
| | **8,506** | 1,414 |
| Future finance charges on finance leases | **(781)** | (143) |
| Present value of finance lease liabilities | **7,725** | 1,271 |

The present value of finance lease liabilities is as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Within one year | **1,693** | 283 |
| In the second to fifth year | **6,032** | 988 |
| | **7,725** | 1,271 |

The carrying amounts of the finance lease liabilities approximate their fair values. As at September 30, 2014, the Group has leased motor vehicles under finance leases with net book value of HK$8,968,000 (2013: HK$1,356,000) (Note 15).

# Notes to the Consolidated Financial Statements

## 29 Trade payables, other payables and accrued charges

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **128,512** | 103,155 | **–** | – |
| Deposits received | **34,069** | 27,164 | **–** | – |
| Accrued employee benefit expenses | **45,550** | 37,690 | **–** | – |
| Accrued operating expenses | **41,061** | 17,092 | **–** | – |
| Provision for sales rebate and claim to customers | **5,844** | 21,094 | **–** | – |
| Payable for purchase of property, plant and equipment | **24,730** | 42,046 | **–** | – |
| Other payables and accruals | **55,852** | 4,543 | **24** | 25 |
| Total other payables and accrued charges | **207,106** | 149,629 | **24** | 25 |
| Trade payables, other payables and accrued charges | **335,618** | 252,784 | **24** | 25 |

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

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 – 30 days | **54,010** | 82,173 |
| 31 – 60 days | **27,772** | 12,860 |
| 61 – 90 days | **8,255** | 1,510 |
| Over 90 days | **38,475** | 6,612 |
| | **128,512** | 103,155 |

The carrying amounts of the Group's trade payables are denominated in the following currencies:

| | **2014** | 2013 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| RMB | **104,309** | 70,744 |
| USD | **19,700** | 32,098 |
| HKD | **4,503** | 313 |
| | **128,512** | 103,155 |

# Notes to the Consolidated Financial Statements

## 30 Borrowings

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Current | | |
| Collateralized borrowings of a bank *(Note 20)* | **146,116** | 144,064 |
| Collateralized borrowings of a financial institution *(Note 19)* | **22,725** | – |
| Trust receipt loans | **–** | 4,696 |
| Term loans | **–** | 133,648 |
| Other loans | **311,078** | 216,960 |
| | **479,919** | 499,368 |

As at September 30, 2014, the effective interest rate of the interest-bearing borrowings was 3.80% per annum (2013: 4.06% per annum).

The interest-bearing bank borrowings, including the term loans repayable on demand as at September 30, 2013, are carried at amortized cost. As at September 30, 2013, term loans due for repayment after one year contains a repayment on demand clause were classified as a current liability was expected to be settled within one year.

As at September 30, 2014, the scheduled repayment dates of the Group's bank borrowings, as set out in the loan agreements and without considering the effect of any repayment on demand clause, were as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Within 1 year | **479,919** | 425,683 |
| Between 1 and 2 years | **–** | 50,042 |
| Between 2 and 5 years | **–** | 23,643 |
| | **479,919** | 499,368 |

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| 6 months or less | **406,612** | 499,368 |
| 6 months – 1 year | **50,582** | – |
| | **457,194** | 499,368 |

Other than the collateralized borrowings of a financial institution, the Group's borrowings carry interest at floating rates.

# Notes to the Consolidated Financial Statements

## 30 Borrowings *(Continued)*

The carrying amounts of all borrowings approximate their fair values.

The carrying amounts of the borrowings are denominated in the following currencies:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| RMB | **333,803** | 216,965 |
| HKD | **–** | 138,339 |
| USD | **146,116** | 144,064 |
| | **479,919** | 499,368 |

As at September 30, 2014, the Group had the following undrawn borrowing facilities:

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Floating rate | | |
| – expiring within one year | **9,884** | 330,282 |

The facilities expiring within one year are annual facilities subject to review at various dates during the year ending September 30, 2015.

During the year ended September 30, 2014, the Group's banking facilities were secured by the following:

(i) pledge of all assets of the companies now comprising the Group with a bank as a continuing security for banking facilities granted to the companies now comprising the Group;

(ii) guarantees of the Company during the year ended September 30, 2014 (2013: Same);

(iii) legally notarized livranca (i.e. a promissory note) for HK$156 million signed by a subsidiary of the Group, OPAL, together with a letter of authority to insert the maturity date at bank's option as at September 30, 2014 (2013: HK$432 million); and

(iv) pledge of the Group's bank deposits of Nil (2013: HK$21,531,000) and the Group's capital guaranteed fund and derivative financial instruments of Nil (2013: HK$5,168,000).

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the group companies' statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the group companies were to breach the covenants, the drawn down facilities would become repayable on demand.

In addition, as at September 30, 2013, the group companies' term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the group companies have complied with the covenants and met the scheduled repayment obligations. As at September 30, 2014, no such clauses were noted.

# Notes to the Consolidated Financial Statements

## 30 Borrowings *(Continued)*

The Group regularly monitors its compliance with these covenants, which is up to date with the scheduled repayments of the term loans and does not consider it is probable that the bank will exercise its discretion to demand repayment for so long as the group companies continue to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 3.

During the year ended September 30, 2014, none of the covenants relating to drawn down facilities had been breached (2013: Same).

## 31 Notes to consolidated statement of cash flows

### (a) Cash generated from operations

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Profit before income tax | **31,022** | 179,700 |
| Adjustments for: | | |
| – Fair value loss/(gain) on derivative financial instruments: | | |
| – foreign exchange forward contracts (non-cash portion) | **–** | 487 |
| – aluminium future contracts (non-cash portion) | **(4,162)** | 2,691 |
| – equity-index embedded derivative *(Note 10)* | **–** | (177) |
| – Loss on disposal of property, plant and equipment *(Note 6)* | **1,659** | 2,201 |
| – Depreciation of property, plant and equipment *(Note 15)* | **66,862** | 54,404 |
| – Write off on property, plant and equipment *(Note 15)* | **50,713** | – |
| – Provision for impairment on prepayment to a supplier for purchases of raw materials *(Note 20)* | **33,014** | – |
| – Write off of prepayment to a supplier for purchases of property, plant and equipment *(Note 20)* | **3,474** | – |
| – Share of loss of an associated company | **2,130** | – |
| – Write off of trade receivables | **100,102** | – |
| – Amortization of prepaid land use rights *(Note 16)* | **771** | 231 |
| – Interest expense on bank borrowings *(Note 11)* | **18,163** | 22,332 |
| – Interest element of finance leases *(Note 11)* | **163** | 69 |
| – Interest income on bank deposits and capital guaranteed fund *(Note 11)* | **(2,954)** | (1,516) |
| – Share-based payment | **8,382** | – |
| | **309,339** | 260,422 |
| Changes in working capital: | | |
| – Inventories | **33,852** | (128,095) |
| – Trade and bills receivables, prepayments, deposits and other receivables | **(233,011)** | 80,461 |
| – Trade payables, other payables and accrued charges | **83,980** | (13,606) |
| – Due from related companies | **(833)** | 4,392 |
| Cash generated from operations | **193,327** | 203,574 |

# Notes to the Consolidated Financial Statements

## 31 Notes to consolidated statement of cash flows *(Continued)*

### (b) An analysis of changes in obligations under finance leases is as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| At beginning of the year | **1,271** | 409 |
| Inception of new leases | **8,366** | 1,506 |
| Interest element of finance leases charged to consolidated statement of comprehensive income *(Note 11)* | **163** | 69 |
| Cash outflows | **(2,075)** | (713) |
| At end of the year | **7,725** | 1,271 |

### (c) An analysis of loss on disposal of property, plant and equipment is as follows:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Net book amount *(Note 15)* | **3,604** | 2,249 |
| Loss on disposal of property, plant and equipment | **(1,659)** | (2,201) |
| Proceeds from disposal of property, plant and equipment | **1,945** | 48 |

## 32 Commitments

### (a) Capital commitments

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| – Property, plant and equipment | **162,522** | 7,484 |

As disclosed in Note 20, the Group won the bids and acquired the land use rights of eight parcels of land located in the Nanyang City. Pursuant to the land use right transfer agreements, the Group agreed to invest an aggregate sum of RMB2,890,590,000 (equivalent to approximately HK$3,655,273,000) in the Nanyang City. As at September 30, 2014, the Group had invested RMB862,849,000 (equivalent to approximately HK$1,091,109,000) in the Nanyang City.

### (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:

| | **2014 HK$'000** | 2013 HK$'000 |
|---|---|---|
| Within one year | **3,801** | 6,506 |
| In the second to fifth year inclusive | **3,293** | 6,821 |
| | **7,094** | 13,327 |

As at September 30, 2014, the Company did not have any significant commitments (2013: Same).

# Notes to the Consolidated Financial Statements

## 33 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 financial statements, the Group had the following related party transactions during the years ended September 30, 2014 and 2013:

### (i) Sales of goods

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Continuing: | | | |
| Sales of aluminium extrusion materials | | | |
| Guangzhou Rongjin Curtain Wall Co. Ltd. | | | |
| ("**Rongjin**") 廣州市榮晉幕墻有限公司[1] | (a),(b) | **25,633** | 15,926 |

[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 names.

*Notes:*

(a) The company is controlled by family members of Mr. Pan, a director of the Company.

(b) In the opinion of the directors, these transactions were entered into in the normal course of business of the Group at terms mutually agreed by the parties concerned.

### (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:

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| Salaries, bonus and allowances | **15,375** | 31,615 |
| Pension | **431** | 405 |
| | **15,806** | 32,020 |

### (iii) Balances with related parties

Group:

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Due from a related company | | | |
| Rongjin | (a),(b) | **4,200** | 3,385 |
| Due from an associated company | | | |
| Leading Sense | (a) | **26,807** | – |

# Notes to the Consolidated Financial Statements

## 33 Related party transactions *(Continued)*

### (iii) Balances with related parties *(Continued)*

Company:

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| Due from a subsidiary | (c) | **1,115,829** | 1,125,952 |

*Notes:*

(a) The balances are unsecured, interest-free and repayable on demand.

(b) The related company is controlled by family member of Mr. Pan, a director of the Company, for the year ended September 30, 2014.

(c) The amount due from a subsidiary is interest-free, unsecured and repayable on demand.

## 34 Events after the reporting period

Save as disclosed in the consolidated financial statements, the following events took place subsequently to September 30, 2014:

### (a) Construction in Nanyang, PRC

On April 8, 2015, PACL, a wholly-owned subsidiary of the Company, entered into a construction contract with the 河南冠亞建築工程有限責任公司 (the "**Contractor**") by constructing and building three CNC workshops of the Group's production facility at Nanyang, with total consideration of RMB56,911,000 (equivalent to approximately HK$71,896,000). The phase 1 production of the construction had commenced on October 23, 2015. On November 17, 2015, the above said subsidiary further entered into another construction contract with the Contractor by constructing and building a workshop at the Group's production facility at Nanyang, with total consideration of RMB46,641,000 (equivalent to approximately HK$57,602,000). The workshops were still under construction as of the date of the report.

### (b) Investment in Xinjiang

On April 10, 2015, PanAsia Aluminium Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with the Jimsar County Government by investing in a subsidiary with an estimated aggregate capital of more than RMB200,000,000 at Xinjiang to produce high-end aluminium rods and aluminium rolled products. On December 18, 2015, the Group entered into an agreement with 吉木薩爾縣國土資源局("**JBLR**") by purchasing the land with consideration of approximately RMB3,592,000, which was waived by the JBLR.

### (c) Change of the financial year end date

On September 30, 2016, the Board approved that the financial year end date of the Company will be changed from September 30, to December 31. Accordingly, the financial period will cover a period of fifteen months from October 1, 2015 to December 31, 2016.

The Board does not foresee any material financial implications for the Group as a result of the change of the financial year end date nor is there any other matter of significance that should be brought to the attention of the shareholders of the Company.

# Five-Year Financial Summary

## Consolidated Results

For the year ended September 30

| | **2014 HK$'000** | 2013 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|---|---|
| Revenue | **2,826,639** | 2,583,735 | 2,436,995 | 2,090,575 | 1,366,944 |
| Profit before income tax | **31,022** | 179,700 | 379,314 | 274,350 | 94,926 |
| Income tax (expense)/credit | **(28,457)** | 33,831 | (22,226) | (14,058) | (8,246) |
| Profit for the year | **2,565** | 213,531 | 357,088 | 260,292 | 86,680 |
| Other comprehensive (loss)/income – Currency translation differences | **(1,991)** | 12,259 | 487 | 9,649 | (5,479) |
| Total comprehensive income attributable to equity holders of the Company | **574** | 225,790 | 357,575 | 269,941 | 81,201 |
| Earnings per share (HK cents) | **0.2** | 19.5 | 39.7 | N/A | N/A |

## Consolidated Assets and Liabilities

As at September 30

| | **2014 HK$'000** | 2013 HK$'000 | 2012 HK$'000 | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|---|---|
| Total assets | **2,653,213** | 2,555,957 | 1,733,140 | 1,143,921 | 882,967 |
| Total liabilities | **860,381** | 763,203 | 997,185 | 505,541 | 444,528 |
| **Net assets attributable to equity holders of the Company** | **1,792,832** | 1,792,754 | 735,955 | 638,380 | 438,439 |