



Second Interim Report

2016



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 Second Interim Report is printed on environmentally friendly paper

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Corporate Information

DIRECTORS

Executive Directors

- Ms. Shao Liyu
(Chief Executive Officer (“CEO”))
Mr. Wong Kwok Wai Eddy
(appointed on March 2, 2018)

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. Leung Ka Tin
(appointed on February 24, 2017)
Dr. Cheung Wah Keung
(appointed on March 22, 2018)

BOARD COMMITTEES

Audit Committee

- Mr. Mar Selwyn (Chairman)
(appointed as member on February 8,
2017 and as Chairman on February 11,
2017)
Mr. Leung Ka Tin
(appointed on February 24, 2017)
Dr. Cheung Wah Keung
(appointed on March 22, 2018)

Remuneration Committee

- Dr. Cheung Wah Keung (Chairman)
(appointed on March 22, 2018)
Ms. Shao Liyu
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
(ceased as chairlady but remains as a
member on November 22, 2017)
Mr. Mar Selwyn
(appointed on February 8, 2017)
Dr. Cheung Wah Keung
(appointed on March 22, 2018)

AUTHORIZED REPRESENTATIVES

- Ms. Shao Liyu
(appointed on October 1, 2015)
Mr. Wong Kwok Wai Eddy
(appointed on May 11, 2018)

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
("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

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

BDO Limited

LEGAL ADVISERS

As to Hong Kong law:
Sidley Austin

As to PRC law:
Dacheng Law Offices LLP (Guangzhou)

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

FINANCIAL ADVISER ON MATTERS RELATING TO RESUMPTION OF TRADING OF THE COMPANY'S SHARES

Asian Capital Limited

WEBSITE

www.palum.com

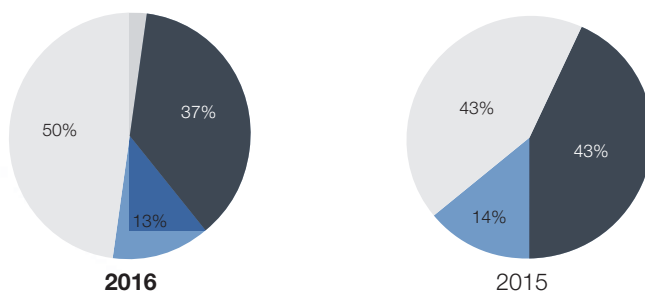
Note: Information in this section is as the date of this report.

Financial Highlights and Key Financial Ratios

	For the twelve months ended		
	September 30,	2015	Change
	2016	2015	in%
	(Unaudited)	Audited	
Revenue	HK\$1,803 million	HK\$1,822 million	-1%
Loss attributable to equity holders of the Company	(HK\$132 million)	(HK\$337 million)	61%
Gross Profit Margin	13.3%	19.9%	
Loss per Share (HK cents)	(11.0)	(28.1)	
Return on equity	(10.6%)	(23.6%)	
Interest Coverage Ratio	(4.8)	(18.5)	

	As at	As at
	September 30,	September 30,
	2016	2015
	(Unaudited)	(Audited)
Current Ratio	0.98	1.48
Quick Ratio	0.67	1.20
Gearing Ratio	38.2%	28.5%
Net Debt to Equity Ratio	36.5%	25.6%

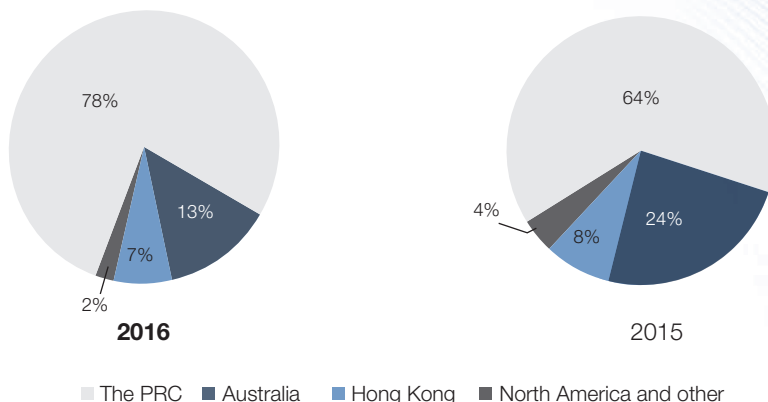
ANALYSIS OF REVENUE BY PRODUCTS



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

Financial Highlights and Key Financial Ratios

ANALYSIS OF REVENUE BY GEOGRAPHICAL LOCATIONS



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

The Current Board of Directors (“**Directors**”) of the Company (“**Board**”) did not declare an interim dividend for the period ended September 30, 2016 (year ended September 30, 2015: no interim dividend).

Condensed Consolidated Interim Statement of Financial Position

As at September 30, 2016

		Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	867,510	697,613
Land use rights		282,522	296,400
Intangible assets		20,667	–
Investments accounted for using the equity method		34,435	–
Deposits and lease prepayments		3,005	3,168
Prepayments for property, plant and equipment		117,188	88,909
		<u>1,325,327</u>	<u>1,086,090</u>
Current assets			
Inventories		296,309	202,787
Trade and bills receivables	9	424,247	500,260
Prepayments, deposits and other receivables		105,567	118,674
Due from the investments accounted for using the equity method	20	13,695	–
Due from a related company	20	969	1,774
Derivative financial instruments		–	19,442
Pledged bank deposits		71,802	154,629
Fixed bank deposits		–	8,597
Cash and cash equivalents		21,546	41,294
		<u>934,135</u>	<u>1,047,457</u>
Total assets		<u>2,259,462</u>	<u>2,133,547</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	120,000	120,000
Reserves		1,123,144	1,305,464
Total equity		<u>1,243,144</u>	<u>1,425,464</u>

Condensed Consolidated Interim Statement of Financial Position

As at September 30, 2016

		Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	58,200	–
Obligations under finance leases – non-current portion		8,408	1,291
		66,608	1,291
Current liabilities			
Trade payables	12	193,018	40,502
Other payables and accrued charges		263,888	199,185
Due to a director		–	2,663
Derivative financial instruments		–	4,180
Borrowings	11	385,641	404,818
Obligations under finance leases – current portion		22,515	474
Deferred income		4,118	–
Current income tax liabilities		80,530	54,970
		949,710	706,792
Total liabilities		1,016,318	708,083
Total equity and liabilities		2,259,462	2,133,547

The notes on pages 12 to 32 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended September 30, 2016

		Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
	<i>Notes</i>		
Revenue	7	1,802,962	1,821,850
Cost of sales	7	(1,562,675)	(1,460,107)
Gross profit		240,287	361,743
Distribution and selling expenses	13	(107,033)	(85,563)
Administrative expenses	13	(230,804)	(522,514)
Other income		29,098	19,422
Other losses – net	14	(12,269)	(62,357)
Operating loss		(80,721)	(289,269)
Finance income	15	1,964	1,204
Finance costs	15	(19,495)	(16,134)
Finance costs – net	15	(17,531)	(14,930)
Share of results of investments accounted for using the equity method		(4,608)	(9,493)
Loss before income tax		(102,860)	(313,692)
Income tax expense	16	(30,217)	(22,985)
Loss for the period/year		(133,077)	(336,677)
Loss attributable to:			
– Owners of the Company		(131,711)	(336,677)
– Non-controlling interests		(1,366)	–
		(133,077)	(336,677)

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended September 30, 2016

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
<i>Notes</i>		
Loss for the period/year	(133,077)	(336,677)
Other comprehensive income: Item that may be reclassified subsequently to profit or loss:		
Currency translation differences	<u>(52,392)</u>	<u>(30,691)</u>
Total comprehensive income attributable to equity holders of the Company	<u>(185,469)</u>	<u>(367,368)</u>
Loss per share attributable to the equity holders of the Company (expressed in HK cents per share)	<u>(11.0)</u>	<u>(28.1)</u>
<i>18</i>		

The notes on pages 12 to 32 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the period ended September 30, 2016

	Unaudited Attributable to equity holders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Non- controlling interests HK\$'000	
Balance at October 1, 2015	120,000	1,001,287	28,021	276,156	-	1,425,464
Loss for the period	-	-	-	(131,711)	(1,366)	(133,077)
Other comprehensive income:						
Currency translation differences	-	-	(52,366)	-	(26)	(52,392)
Total comprehensive income for the period	-	-	(52,366)	(131,711)	(1,392)	(185,469)
Non-controlling interests on acquisition of subsidiary	-	-	-	-	3,149	3,149
Balance at September 30, 2016	<u>120,000</u>	<u>1,001,287</u>	<u>(24,345)</u>	<u>144,445</u>	<u>1,757</u>	<u>1,243,144</u>

	Audited Attributable to equity holders of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
Balance at October 1, 2014	120,000	1,001,287	58,712	612,833		1,792,832
Loss for the year	-	-	-	(336,677)		(336,677)
Other comprehensive income:						
Currency translation differences	-	-	(30,691)	-		(30,691)
Total comprehensive income for the year	-	-	(30,691)	(336,677)		(367,368)
Balance at September 30, 2015	<u>120,000</u>	<u>1,001,287</u>	<u>28,021</u>	<u>276,156</u>		<u>1,425,464</u>

The notes on pages 12 to 32 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the period ended September 30, 2016

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Net cash generated from operating activities	279,892	157,295
Net cash used in investing activities	(368,258)	(262,950)
Net cash generated from/(used in) financing activities	68,181	(240,145)
Net decrease in cash and cash equivalents	(20,185)	(345,800)
Cash and cash equivalents at beginning of the year	41,294	387,145
Exchange gains/(loss) on cash and cash equivalents	437	(51)
Cash and cash equivalents at end of the period/year	21,546	41,294

The notes on pages 12 to 32 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Statements

1 GENERAL INFORMATION

PanAsialum Holdings Company Limited (“**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’s shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since February 5, 2013.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. This condensed consolidated interim financial information has been reviewed but not audited, and it was approved for issue by the Board of directors (“**Board**”) on May 31, 2018.

2 KEY EVENTS

As disclosed in the annual report of 2015, the predecessor auditor of the Company 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 and an investigation on the Matters (“**Investigation**”) by an independent professional advisor was undertaken and resulted in a disclaimer of opinion in the 2015 Independent Auditor Report.

The basis for disclaimer of opinion is set out in the 2015 Independent Auditor Report.

3 BASIS OF PREPARATION

The condensed consolidated interim financial information for the period ended September 30, 2016 has been prepared in accordance with HKAS 34 ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended September 30, 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

Notes to the Condensed Consolidated Interim Financial Statements

4 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended September 30, 2015, as described in those annual consolidated financial statements.

(a) Estimation of income tax:

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) Changes in accounting policy and disclosures:

(1) Amendments to HKFRSs effective for the financial year ended December 31, 2016 do not have a material impact on the Group.

(2) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 “Financial Instruments”

HKFRS 9 “Financial Instruments” addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory for the financial year commencing on April 1, 2018.

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

Notes to the Condensed Consolidated Interim Financial Statements

4 ACCOUNTING POLICIES *(Continued)*

(b) Changes in accounting policy and disclosures: *(Continued)*

(ii) HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It 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 the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$14,998,000. The impacts on the Group's financial results and position upon the adoption of HKFRS 16 as lessee of finance leases and operating leases are not expected to be material. The standard is mandatory for the financial year commencing on April 1, 2019. The Group does not intend to adopt the standard before its effective date.

(iii) 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 revenue arising from the sale of goods and the rendering of 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. The new standard is effective for the financial year commencing on April 1, 2018.

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 on the next twelve months.

The Group has not applied any other new standard or interpretation that is not yet effective for the current accounting period.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended September 30, 2015.

5.2 Liquidity risk

Compared to the last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Commodity price risk on aluminium

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

Management considers the fluctuation on the commodity price of aluminium does not have a significant impact on the Group's earnings and cash flows in the long run.

Notes to the Condensed Consolidated Interim Financial Statements

5 FINANCIAL RISK MANAGEMENT (Continued)

5.4 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at September 30, 2016 and September 30, 2015.

At September 30, 2016 (Unaudited)

Group	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Foreign exchange forward contracts	-	-	-	-
Liabilities				
Aluminium future contracts	-	-	-	-

At September 30, 2015 (Audited)

Group	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Foreign exchange forward contracts	-	19,442	-	19,442
Liabilities				
Aluminium futures contracts	(4,180)	-	-	(4,180)

Notes to the Condensed Consolidated Interim Financial Statements

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, except as described below, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended September 30, 2015.

7 SEGMENT INFORMATION

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

7 SEGMENT INFORMATION *(Continued)*

The description of each reportable product segment is as follows:

Reportable product segment	Type of products
Electronics parts	Aluminium parts for consumer electronics products, examples 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 period ended September 30, 2016 is as follows:

	Unaudited			Total HK\$'000
	Electronics parts HK\$'000	Branded OPLV products HK\$'000	Construction and industrial products HK\$'000	
Sales to external customers	906,313	226,457	670,192	1,802,962
Cost of sales	(777,057)	(219,094)	(566,524)	(1,562,675)
Segment gross profit	129,256	7,363	103,668	240,287
Unallocated operating costs				(337,837)
Other income				29,098
Other losses – net				(12,269)
Finance costs – net				(17,531)
Share of results of investments accounted for using the equity method				(4,608)
Loss before income tax				(102,860)

Notes to the Condensed Consolidated Interim Financial Statements

7 SEGMENT INFORMATION *(Continued)*

The segment information for the operating segments for the year ended September 30, 2015 is as follows:

	Audited			Total HK\$'000
	Electronics parts HK\$'000	Branded OPLV products HK\$'000	Construction and industrial products HK\$'000	
Sales to external customers	792,326	249,233	780,291	1,821,850
Cost of sales	<u>(614,554)</u>	<u>(208,138)</u>	<u>(637,415)</u>	<u>(1,460,107)</u>
Segment gross profit	177,772	41,095	142,876	361,743
Unallocated operating costs				(608,077)
Other income				19,422
Other losses – net				(62,357)
Finance costs – net				(14,930)
Share of results of investments accounted for using the equity method				<u>(9,493)</u>
Loss before income tax				<u>(313,692)</u>

Notes to the Condensed Consolidated Interim Financial Statements

7 SEGMENT INFORMATION (Continued)

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the period ended September 30, 2016 and year ended September 30, 2015 consists of the following:

	Unaudited					
	Period ended September 30, 2016					
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America	Kong	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – Sales to external customers	1,403,436	226,363	40,616	121,112	11,435	1,802,962
Cost of sales	<u>(1,232,378)</u>	<u>(193,785)</u>	<u>(32,503)</u>	<u>(93,295)</u>	<u>(10,714)</u>	<u>(1,562,675)</u>
Gross profit	<u>171,058</u>	<u>32,578</u>	<u>8,113</u>	<u>27,817</u>	<u>721</u>	<u>240,287</u>

	Audited					
	Year ended September 30, 2015					
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America	Kong	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover – Sales to external customers	1,164,220	435,851	31,796	143,076	46,907	1,821,850
Cost of sales	<u>(927,563)</u>	<u>(353,873)</u>	<u>(26,579)</u>	<u>(108,283)</u>	<u>(43,809)</u>	<u>(1,460,107)</u>
Gross profit	<u>236,657</u>	<u>81,978</u>	<u>5,217</u>	<u>34,793</u>	<u>3,098</u>	<u>361,743</u>

Notes to the Condensed Consolidated Interim Financial Statements

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Opening net book amount	697,613	581,945
Exchange differences	(40,780)	(17,267)
Additions	288,466	230,806
Disposals	(788)	(23,297)
Depreciation (Note 13)	(77,001)	(74,574)
Closing net book amount	<u>867,510</u>	<u>697,613</u>

9 TRADE RECEIVABLES

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
Trade receivables – net	421,344	499,892
Bills receivables	<u>2,903</u>	<u>368</u>
Trade and bills receivables – net	<u>424,247</u>	<u>500,260</u>

Notes to the Condensed Consolidated Interim Financial Statements

9 TRADE RECEIVABLES *(Continued)*

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 (2015: Same). The Group does not hold any collateral as security.

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

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
Current	120,964	278,179
1 – 30 days	138,804	62,099
31 – 60 days	86,702	9,961
61 – 90 days	45,255	4,766
91 – 180 days	11,908	71,319
181 days – 1 year	8,793	73,936
Over 1 year	11,821	–
	424,247	500,260

As at September 30, 2016, receivables of HK\$120,964,000 were neither past due nor impaired. (At September 30, 2015: HK\$278,179,000). These receivables relate to customers for whom there is no recent history of default.

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK\$109,659,000 to financial institution or bank in exchange for cash as at September 30, 2016 (as at September 30, 2015: HK\$162,536,000). The transactions have been accounted for as collateralized borrowings (Note 11).

As at September 30, 2016, all trade receivables were non-interest bearing (as at September 30, 2015: Same).

Notes to the Condensed Consolidated Interim Financial Statements

10 SHARE CAPITAL

	Unaudited September 30, 2016		Audited September 30, 2015	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorized:				
Ordinary shares of HK\$0.10 each	<u>2,400,000,000</u>	<u>240,000</u>	<u>2,400,000,000</u>	<u>240,000</u>
Issued and fully paid:	<u>1,200,000,000</u>	<u>120,000</u>	<u>1,200,000,000</u>	<u>120,000</u>

11 BORROWINGS

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
Current		
Collateralized borrowings of a financial institution or bank (Note 9)	77,179	146,282
Other loans	308,462	104,397
Bills payables	–	154,139
	385,641	404,818
Non-current		
Other loan	58,200	–
	443,841	404,818

As at September 30, 2016, the effective interest rate of the borrowings was 4.58% per annum (At September 30, 2015: 3.64% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements

11 BORROWINGS *(Continued)*

As at September 30, 2016, the Group's banking facilities were secured by the pledge of the Group's land use rights, property, plant and equipment and trade receivables (At September 30, 2015: Same).

12 TRADE PAYABLES

As at September 30, 2016 and September 30, 2015, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
0 – 30 days	94,100	18,693
31 – 60 days	28,043	13,681
61 – 90 days	18,637	4,638
Over 90 days	52,238	3,490
	193,018	40,502

Notes to the Condensed Consolidated Interim Financial Statements

13 EXPENSES BY NATURE

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Operating loss is stated after charging/ (crediting) the following:		
Auditor's remuneration – current period	3,903	5,000
Operating leases – land and buildings	11,692	28,840
Cost of inventories recognized as expenses	1,562,675	1,460,107
Employee benefit expenses	397,269	260,803
Depreciation of property, plant and equipment (Note 8)	77,001	74,574
Amortisation of land use rights	2,986	290
Provision for impairment on prepayment to a supplier for purchases of raw materials	–	16,043
Write off investments accounted for using the equity method	–	5,893
Write off amounts due from the investments accounted for using the equity method	–	44,841
Write off of trade receivables	2,879	174,158

Notes to the Condensed Consolidated Interim Financial Statements

14 OTHER LOSSES – NET

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Net exchange gains/(losses)	8,863	(64,640)
(Loss)/gain on derivative financial instruments – foreign exchange forward contracts	(8,383)	28,035
Loss on derivative financial instruments – aluminium future contracts	(12,749)	(25,752)
	<u>(12,269)</u>	<u>(62,357)</u>

Notes to the Condensed Consolidated Interim Financial Statements

15 FINANCE INCOME AND COSTS

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Interest income:		
Interest income on bank deposits	<u>1,964</u>	<u>1,204</u>
Finance income	<u>1,964</u>	<u>1,204</u>
Interest expenses:		
Interest expense on bank borrowings	<u>(19,425)</u>	<u>(15,704)</u>
Interest element of finance leases	<u>(70)</u>	<u>(430)</u>
Finance costs	<u>(19,495)</u>	<u>(16,134)</u>
Finance costs – net	<u>(17,531)</u>	<u>(14,930)</u>

Notes to the Condensed Consolidated Interim Financial Statements

16 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the period ended September 30, 2016.

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the period ended September 30, 2016.

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore) Limited is exempted from Macao Complementary Tax during the period ended September 30, 2016 (2015: Same).

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Hong Kong profits tax		
– current period	(2,081)	(1,213)
– under-provision in prior years	(28,136)	–
Overseas taxation		
– current period	–	(21,772)
	<u>(30,217)</u>	<u>(22,985)</u>

Notes to the Condensed Consolidated Interim Financial Statements

17 DIVIDENDS

No dividend has been declared by the Company for the period ended September 30, 2016 and year ended September 30, 2015.

18 LOSS PER SHARE

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

	Unaudited Period ended September 30, 2016	Audited Year ended September 30, 2015
Loss attributable to equity holders of the Company (HK\$'000)	<u>(131,711)</u>	<u>(336,677)</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	<u>1,199,405</u>	<u>1,199,405</u>
Basic loss per share (HK cents)	<u>(11.0)</u>	<u>(28.1)</u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the period ended September 30, 2016 and year ended September 30, 2015, respectively.

19 CAPITAL COMMITMENTS

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
Contracted but not provided for – property, plant and equipment	<u>234,804</u>	<u>180,043</u>

Notes to the Condensed Consolidated Interim Financial Statements

20 RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in the consolidated interim financial information, the Group had the following related party transactions during the period ended September 30, 2016 and year ended September 30, 2015:

(i) Sales of goods

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
	<i>Notes</i>	
Sales of aluminium extrusion materials		
Guangzhou Rongjin Curtain Wall Co. Ltd. (“Rongjin”) 廣州市榮晉幕牆有限公司 ¹ (a), (b)	689	6,988

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

Notes:

- (a) The company is controlled by family members of Mr. Pan who was the chairman of the Board until December 15, 2014.
- (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.

Notes to the Condensed Consolidated Interim Financial Statements

20 RELATED PARTY TRANSACTIONS (Continued)

(ii) Key management compensation

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

	Unaudited Period ended September 30, 2016 HK\$'000	Audited Year ended September 30, 2015 HK\$'000
Salaries, bonus and allowances	15,575	16,416
Pension	128	313
	<u>15,703</u>	<u>16,729</u>

(iii) Balances with related parties / investment accounted for using the equity method

	Unaudited September 30, 2016 HK\$'000	Audited September 30, 2015 HK\$'000
Due from a related company – Rongjin	969	1,774
Due from the investments accounted for using the equity method	<u>13,695</u>	<u>–</u>

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.
- (b) The related company is controlled by family member of Mr. Pan who was the chairman of the Board until December 15, 2014.

21 EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of OPLV entities

On December 28, 2017, the Company (through its wholly-owned subsidiaries) as the vendors, the purchasers, which are companies beneficially owned by Ms Shao, and Ms Shao entered into the agreement, pursuant to which the vendors conditionally agreed to sell and the purchasers conditionally agreed to purchase the shares of OPLV (Nanyang) Doors and Windows Systems Co., Ltd and OPLV Architectural Design Pty Ltd. The vendors shall also procure the accounts receivable to be transferred or assigned to the purchasers. The consideration was estimated to be at an aggregate of RMB20 million. Upon completion, the Group will cease to have any interest in the above entities and their subsidiaries and its financial results will no longer be consolidated into the Company's consolidated financial statements.

(b) Potential disposal of land use rights in Zengcheng

As disclosed in the announcement of the Company dated October 1, 2013, the Company has planned to relocate its current production facilities in Zengcheng in Guangdong Province to Nanyang City in Henan Province.

In late February 2018, the Guangzhou Urban Renewal Bureau announced that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme. Subject to formal documentation converting the usage of land from industrial use to commercial and residential use, the Group's Zengcheng production plant moved out from the existing site and there were further discussion and negotiation with relevant government authorities. The Group will likely be benefitted from the potential improvement in value of the Zengcheng land.

As at the date of this report, the transaction has yet to be completed.

Management Discussion and Analysis

OVERVIEW

Business and Financial Overview

The financial year end date of the Company has been changed from September 30 to December 31 in order to align with the Company's financial year end date with its principal operating subsidiaries incorporated in the People's Republic of China (the "PRC"). Such change is made in response to the increase in number of Company's subsidiaries incorporated in the PRC during the recent years. Accordingly, the current financial period covers a period of twelve months from October 1, 2015 to September 30, 2016.

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 period ended September 30, 2016 ("**Period Under Review**") was HK\$1,803 million (2015: HK\$1,822 million), representing a decrease of 1% as compared with the year ended September 30, 2015 ("**2015**"). The Group's overall gross profit margin stayed at 13% for Period Under Review which is lower than 2015 of 20%. The net loss after tax attributable to equity holders of the Company was HK\$132 million (2015: net loss after tax HK\$337 million). The major reason for the reduction in net loss was absence of or reduction in certain one-off adjustments related to trade receivables and balances of investment accounted for using the equity method.

Electronics Parts

The Electronics Parts segment contributed HK\$906 million to the total revenue of the Group, representing an increase of 14% as compared with HK\$792 million for the 2015. The gross profit margin of the Electronics Parts has decreased from 22% for the 2015 to 14% for the Period Under Review.

Management Discussion and Analysis

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK\$670 million (2015: HK\$780 million) and 15% (2015: 18%) for the Period Under Review respectively. The segment also experienced a decrease in revenue and a decrease in gross profit in the Period Under Review. Australian sales have dropped 48% from HK\$436 million in 2015 to HK\$226 million for the Period Under Review.

Branded OPLV Products

The Group had continued to develop the Branded OPLV Products market in the mainland China by engaging more distributors for selling Branded OPLV Products. This segment contributed 13% of the total Group sales in the Period Under Review which is stable as that in the 2015 of 14% although there was a significantly drop in the gross profit margin from 16% for the 2015 to 3% for the Period Under Review.

Cost of sales

With the slightly drop in sales, cost of sales increased by 7% from HK\$1,460 million for the 2015 to HK\$1,563 million for the Period Under Review.

Gross profit

Gross profit declined by 34% from HK\$362 million for the 2015 to HK\$240 million for the Period Under Review, there was a decrease in gross profit margin from 20% for the 2015 to 13% for the Period Under Review, due to decrease in gross profit margin of the Electronics Parts segment.

Distribution and selling expenses

Distribution and selling expenses increased by 25% from the 2015 to the Period Under Review. The increase was mainly due to increase in staff costs and travelling expenses.

Management Discussion and Analysis

Administrative expenses

Administrative expenses dropped significantly from HK\$523 million for 2015 to HK\$231 million for the Period Under Review. The decrease was mainly due to absence of one-off adjustments including the provision for impairment on prepayment to a supplier for purchase of raw materials, the write off investment accounted for using the equity method and the amount due from investments accounted for using the equity method in the Period Under Review.

Other losses – net

Other losses decreased by HK\$50 million to HK\$12 million for the Period Under Review. The decrease comprised realized and unrealized exchange losses arising from the significant depreciation of the Australian dollar (“AUD”) during 2015 whereas AUD against HKD was rather stable during the Period Under Review.

Finance income

Finance income mainly comprised interest income which was HK\$2.0 million for the Period Under Review compared to HK\$1.2 million in 2015 due to higher average balances of bank deposits.

Finance costs

Net finance costs increased by HK\$3 million from HK\$15 million for 2015 to HK\$18 million for the Period Under Review. The increase was mainly due to increase in bank borrowings.

Income tax expenses

Income tax expenses of HK\$30 million was mainly due to the finalization of the PRC corporate income tax assessments for the Period Under Review and prior years under-provision of profits tax.

Management Discussion and Analysis

Prospects/Future Business Development

To utilize the opportunities arising from global integration and the “Belt and Road” initiative, the Group has steadily expanded its overseas sales network. We have established subsidiaries in different countries like UK and Singapore and continued to expand our footprint in various regions, laying a solid foundation for the Group’s future business development.

Although sales of Electronics Parts for Period Under Review declined, customers in this segment were expected to bring in a higher profit margin to the Group than other segments. Going forward, the Group will continue to strive to catch opportunities in the Electronics Parts business by widening its customer base, developing new products and further strengthening relationship with major customers. Our ongoing efforts to develop new products based on market demand are progressing, and our R&D department is striving diligently to achieve the goals. Recently, the Group has passed the requirements of International Automotive Task Force on IATF16949:2016. Looking forward, the Group will be able to accept sales order for the manufacturing of different aluminium alloy automobile parts and components using extrusion processes.

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, 2016 the Group had HK\$22 million cash and cash equivalents (as at September 30, 2015: HK\$41 million), no fixed bank deposits (as at September 30, 2015: HK\$9 million), HK\$72 million pledged bank deposits (as at September 30, 2015: HK\$155 million), interest-bearing borrowings of HK\$444 million denominated in Renminbi (“**RMB**”) and United States Dollars (“**USD**”) (as at September 30, 2015: HK\$405 million denominated in RMB and USD) and obligation under finance leases of HK\$31 million denominated in RMB and HKD (as at September 30, 2015: HK\$2 million).

Charges on Asset

HK\$7 million (as at September 30, 2015: HK\$9 million) of land use rights, HK\$18 million (as at September 30, 2015: HK\$21 million) of buildings and HK\$110 million (as at September 30, 2015: HK\$163 million) of trade receivables of the Group were pledged as security for the Group’s bank borrowings.

Management Discussion and Analysis

Capital Structure

As at September 30, 2016 and September 30, 2015, the Company's issued share capital was HK\$120,000,000, divided into 1,200,000,000 shares of HK\$0.1 each.

Foreign Exchange and Other Risk

We continued to receive AUD and USD from our sales to major customers during the Period 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 Period 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 Period 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 April 8, 2015, PanAsia Aluminium (China) Co., Ltd. ("**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 a total consideration of approximately RMB56.9 million (equivalent to approximately HK\$71.9 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 a total consideration of approximately RMB46.6 million (equivalent to approximately HK\$57.6 million). For details, please refer to the announcements of the Company dated April 8, 2015 and November 17, 2015.

On December 18, 2015, the Group entered into an agreement with 吉木薩爾縣國土資源局 ("**JBLR**") by purchasing a piece of land in that region at consideration of approximately RMB3.6 million (equivalent to approximately HK\$4.4 million), which was waived by the JBLR. Details of the investment agreement are set out in the announcement of the Company dated April 13, 2015. During the Period Under Review, a subsidiary, 吉木薩爾宏睿鋁業有限公司, entered into contracts with several construction contractors and suppliers for construction of production facilities and acquisition of equipment for production of high-end aluminium rods and aluminium rolled products. Total consideration of contracts amounted to approximately RMB118.7 million (equivalent to approximately HK\$133.2 million).

Management Discussion and Analysis

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at September 30, 2016 were approximately HK\$235 million (as at September 2015: HK\$180 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

As at September 30, 2016, the Group had no contingent liabilities (as at September 2015: Nil).

Employee Information and Remuneration Policies

As at September 30, 2016, the Group employed approximately 4,800 staff (as at September 30, 2015: 3,900). 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 Period Under Review, the Group incurred staff costs (including Directors' emoluments) of HK\$397 million (2015: HK\$261 million).

DIRECTORS

The directors of the Company in office for the Period Under Review:

Executive Directors

Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady and CEO)

Mr. Zhu Hong Tao

Mr. Ma Yu Yan

Non-Executive Directors

Mr. Cosimo Borrelli (appointed on May 27, 2016)

Ms. Chi Lai Man Jocelyn (appointed on May 27, 2016)

Independent Non-executive Directors

Mr. Tsang Wah Kwong (ceased on January 18, 2016)

Mr. Tsang Ming Chit Stanley (ceased on February 11, 2016)

Mr. Ching Yu Lung (appointed on October 1, 2015 and resigned on February 28, 2016)

Mr. Choi Tze Kit Sammy (appointed on February 11, 2016)

Mr. Lam Kwok Fai Osmond (appointed on March 21, 2016)

Mr. Tang Warren Louis (appointed on March 21, 2016)

BOARD COMMITTEES

Audit Committee

Mr. Choi Tze Kit Sammy (Chairman) (appointed on February 11, 2016)

Mr. Ching Yu Lung (Chairman) (appointed as member on October 1, 2015 and chairman on January 18, 2016 and resigned as chairman on February 11, 2016 and member on February 28, 2016)

Mr. Tsang Wah Kwong (Chairman) (ceased on January 18, 2016)

Mr. Tsang Ming Chit Stanley (ceased on February 11, 2016)

Mr. Lam Kwok Fai Osmond (appointed on March 21, 2016)

Mr. Tang Warren Louis (appointed on March 21, 2016)

Remuneration Committee

Mr. Lam Kwok Fai Osmond (Chairman) (appointed on March 21, 2016)

Mr. Tsang Ming Chit Stanley (Chairman) (appointed as chairman on October 1, 2015 and ceased on February 11, 2016)

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

Mr. Tsang Wah Kwong (ceased on January 18, 2016)

Mr. Ching Yu Lung (appointed on October 1, 2015 and resigned on February 28, 2016)

Mr. Choi Tze Kit Sammy (appointed on February 11, 2016)

Mr. Tang Warren Louis (appointed on March 21, 2016)

Other Information

Nomination Committee

Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady)

Mr. Tsang Wah Kwong (ceased on January 18, 2016)

Mr. Tsang Ming Chit Stanley (ceased on February 11, 2016)

Mr. Ching Yu Lung (appointed on October 1, 2015 and resigned on February 28, 2016)

Mr. Choi Tze Kit Sammy (appointed on February 11, 2016)

Mr. Lam Kwok Fai Osmond (appointed on March 21, 2016)

Mr. Tang Warren Louis (appointed on March 21, 2016)

INTERIM DIVIDEND

At the meeting of the Board held on May 31, 2018, the Board did not declare an interim dividend for the period ended September 30, 2016.

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 ("**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 ("**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 Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the 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 HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

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

SHARE AWARD SCHEME

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

Who May Join

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

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.

During the Period Under Review, no Shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme and no Shares were granted to Employees.

Other Information

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

As at September 30, 2016, 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 (“SFO”)) required to be notified to the Company and the 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 (“Model Code”), are as follows:

Long Position in the Share

Name of Director	Nature of Interest	Number of Securities	Approximate percentage of Shareholding
Ms. Shao Liyu ^(Note)	Interest of spouse	900,000,000	75%

Note:

Ms. Shao Liyu was the spouse of Mr. Marcus Pan at the relevant time. 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, the beneficiaries of which were family members of Mr. Marcus Pan. By virtue of the SFO, Ms. Shao Liyu was deemed to be interested in all the shares in which Mr. Marcus Pan was interested.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the headings "Share Option Scheme" and "Share Award Scheme" at no time during the Period 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at September 30, 2016, 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 or which were recorded in the register required to be kept by the Company under section 336 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.

Other Information

CORPORATE GOVERNANCE PRACTICES

Given the majority of directors of the Current Board were not the Board members in the Period Under Review, the Current Board, with the best information available, is able to confirm that the Company had the following deviations from the Code on Corporate Governance Practice (“**CG Code**”) set out in Appendix 14 of the Listing Rules.

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 period between April 22, 2015 and November 8, 2017, Ms. Shao Liyu was the chairlady and also the CEO of the Company responsible for overseeing the operations of the Group. As the development of the Group during this period required the active involvement of Ms. Shao Liyu, her in-depth knowledge and experience in the industry and her familiarity with the operations of the Group, the then Board considered that it was appropriate for Ms. Shao Liyu to serve both positions at the time, following the resignation of Ms. Ng Bonnie Po Ling and Mr. Liu Hoi Keung as Joint CEO on April 22, 2015, Ms. Shao Liyu, the then chairlady, was appointed as CEO on April 22, 2015. The then Board considered that the non-separation of these two roles would not impair the balance of power as all major decisions were made in consultation with members of the Board. Nevertheless, the Company has continued to review its operation and made arrangement to meet the requirement of code provision A.2.1 to Appendix 14 of the Listing Rules where necessary. On November 9, 2017, the Board appointed Mr. Cosimo Borrelli as the Non-Executive Chairman of the Board and Ms. Shao Liyu resigned as the chairlady of the Board (as announced on November 10, 2017). From then on, the roles of the chairman and CEO are separated.

Audit Committee

Under code provision C.3 of the CG Code, the audit committee must meet, at least twice a year, with the issuer’s auditors, and meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

During the Period Under Review, no audit committee meeting was held with the auditor. In order to fully address the issues raised by the then auditor during the course of its audit, an independent committee (“**Independent Committee**”) comprising independent, non-executive Directors, was established to supervise and oversee the investigations conducted by an independent. Professional Advisor who was appointed to investigate into matters raised by the then auditor. The duties of the audit committee were therefore discharged through the Independent Committee.

Financial Reporting

Furthermore, subsequent to the year ended September 30, 2014 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 interim results of the Company for the Period Under Review are 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 fifteen months ended December 31, 2016 and year ended December 31, 2017; (ii) publishing the related interim and annual report for the aforesaid years; and (iii) complying with the Code Provision C.1.

The Company did not hold its annual general meetings in 2016 and 2017 while an annual general meeting of the Company and its adjournment have been held on January 10, 2018 and January 24, 2018 to approve the audited consolidated financial statements for the year ended September 30, 2014. The Board will convene an annual general meeting in the near future to approve the audited consolidated financial statements for the year ended September 30, 2015, for the fifteen months ended December 31, 2016 and for the year ended December 31, 2017.

For more details, please refer to the Company’s announcements dated January 10, 2018 and January 24, 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the Directors. The Company has based on the best information available, all former Directors holding office as at September 30, 2016 had complied with the Model Code provisions during the Period Under Review.

Other Information

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 Period Under Review. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Period Under Review.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the listing rules during the Period Under Review.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 21 to the condensed consolidated interim financial information, there is no material subsequent event undertaken by the Company or by the Group after September 30, 2016 and up to the date of this interim report.

AUDIT COMMITTEE

The Company has an audit committee ("**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors, namely Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung.

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited consolidated interim financial information for the Period Under Review and recommended their adoption to the Board.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the period ended September 30, 2016 has not been audited, but has been reviewed by the Audit Committee of the Company.

By order of the Board

Cosimo Borrelli

Non-Executive Chairman

Hong Kong, May 31, 2018