



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



Interim Report **2017**



This Interim Report is printed on environmentally friendly paper

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# Corporate Information

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## DIRECTORS

### Executive Directors

Ms. Shao Liyu  
(Joint Chief Executive Officer  
("Joint CEO"))

Mr. Wong Kwok Wai Eddy  
(appointed on March 2, 2018)

### Non-executive Directors

Mr. Cosimo Borrelli  
(Non-Executive Chairman)  
(appointed as Non-Executive  
Chairman on November 9, 2017)

Ms. Chi Lai Man Jocelyn

### 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 chairman 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

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

## 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

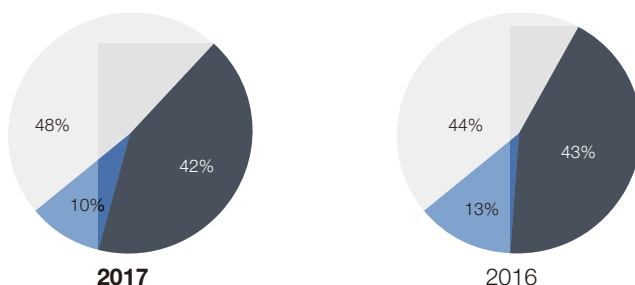
[www.palum.com](http://www.palum.com)

## Financial Highlights and Key Financial Ratios

	For the six months ended June 30,		
	2017 (Unaudited)	2016 (Unaudited)	Change in %
Revenue	<b>HK\$781 million</b>	HK\$810 million	-3.6%
Loss attributable to owners of the Company	<b>(HK\$99 million)</b>	(HK\$62 million)	60.9%
Gross Profit Margin	<b>10.3%</b>	12.8%	
Loss per Share (HK cents)	<b>(8.3)</b>	(5.1)	
Return on equity	<b>(9.6%)</b>	(5.6%)	
Interest Coverage Ratio	<b>(4.2)</b>	(4.7)	

	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Current Ratio	<b>0.72</b>	0.86
Quick Ratio	<b>0.44</b>	0.58
Gearing Ratio	<b>74.2%</b>	52.6%
Net Debt to Equity Ratio	<b>69.9%</b>	49.4%

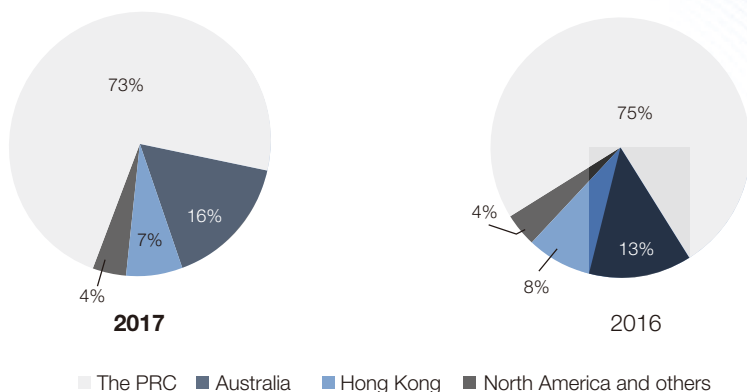
### ANALYSIS OF REVENUE BY PRODUCTS



■ 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 attributable to owners of the Company for the period divided by equity attributable to owners of the Company 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 six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

# Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2017

		Unaudited June 30, 2017 HK\$'000	Audited December 31, 2016 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	997,557	853,757
Land use rights		290,598	270,846
Investments accounted for using the equity method		12,437	16,107
Deposits and lease prepayments		4,553	3,167
Prepayments for property, plant and equipment		95,725	127,392
		<u>1,400,870</u>	<u>1,271,269</u>
<b>Current assets</b>			
Inventories		366,412	314,134
Trade and bills receivables	9	362,969	414,333
Prepayments, deposits and other receivables		97,718	106,159
Due from a related company	20	1,566	934
Due from the investments accounted for using the equity method	20	27,438	16,975
Pledged bank deposits		54,584	64,464
Cash and cash equivalents		44,033	35,209
		<u>954,720</u>	<u>952,208</u>
<b>Total assets</b>		<u><b>2,355,590</b></u>	<u><b>2,223,477</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	10	120,000	120,000
Reserves		907,305	988,110
Equity attributable to owners of the Company		1,027,305	1,108,110
Non-controlling interests		547	1,366
<b>Total equity</b>		<u><b>1,027,852</b></u>	<u><b>1,109,476</b></u>

# Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2017

	<i>Notes</i>	<b>Unaudited June 30, 2017 HK\$'000</b>	Audited December 31, 2016 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Obligations under finance leases – non-current portion		<u>136</u>	4,955
		<u>136</u>	4,955
<b>Current liabilities</b>			
Trade payables	12	<b>146,702</b>	153,696
Other payables and accrued charges		<b>311,227</b>	285,601
Due to the investments accounted for using the equity method	20	<b>153</b>	198
Borrowings	11	<b>754,275</b>	559,543
Obligations under finance leases – current portion		<b>8,545</b>	19,073
Deferred Income		<b>19,219</b>	3,950
Current income tax liabilities		<b>87,481</b>	86,985
		<u>1,327,602</u>	1,109,046
<b>Total liabilities</b>		<u>1,327,738</u>	1,114,001
<b>Total equity and liabilities</b>		<u>2,355,590</u>	2,223,477

The notes on pages 12 to 31 are an integral part of this condensed consolidated interim financial information.



# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2017

		<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	<b>Unaudited Six months ended June 30, 2016 HK\$'000</b>
	<i>Notes</i>		
Revenue	7	<b>781,313</b>	810,396
Cost of sales	7	<b>(700,569)</b>	(706,935)
<b>Gross profit</b>		<b>80,744</b>	103,461
Distribution and selling expenses	13	<b>(51,144)</b>	(51,042)
Administrative expenses	13	<b>(128,324)</b>	(123,835)
Other income		<b>13,570</b>	4,212
Other gains – net	14	<b>9,545</b>	19,968
<b>Operating loss</b>		<b>(75,609)</b>	(47,236)
Finance income	15	<b>564</b>	986
Finance costs	15	<b>(18,964)</b>	(10,810)
Finance costs – net	15	<b>(18,400)</b>	(9,824)
Share of results of investments accounted for using the equity method		<b>(4,036)</b>	(3,376)
<b>Loss before income tax</b>		<b>(98,045)</b>	(60,436)
Income tax expense	16	<b>(1,940)</b>	(1,845)
<b>Loss for the period</b>		<b>(99,985)</b>	(62,281)
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(99,105)</b>	(61,600)
– Non-controlling interests		<b>(880)</b>	(681)
		<b>(99,985)</b>	(62,281)

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2017

	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	Unaudited Six months ended June 30, 2016 HK\$'000
<i>Notes</i>		
<b>Loss for the period</b>	<b>(99,985)</b>	(62,281)
<b>Other comprehensive income:</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences	<u>18,361</u>	<u>(29,924)</u>
<b>Total comprehensive income for the period</b>	<u><b>(81,624)</b></u>	<u>(92,205)</u>
<b>Loss per share for loss attributable to the equity holders of the Company</b> (Basic and diluted HK cents per share)	<u><b>(8.3)</b></u>	<u>(5.1)</u>
18		

The notes on pages 12 to 31 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2017

	Unaudited Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Other reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at January 1, 2017	120,000	1,001,287	(774)	(56,558)	44,155	1,366	1,109,476
Loss for the period	-	-	-	-	(99,105)	(880)	(99,985)
Other comprehensive income:							
Currency translation differences	-	-	-	18,300	-	61	18,361
Total comprehensive income for the period	-	-	-	18,300	(99,105)	(819)	(81,624)
<b>Balance at June 30, 2017</b>	<b>120,000</b>	<b>1,001,287</b>	<b>(774)</b>	<b>(38,258)</b>	<b>(54,950)</b>	<b>547</b>	<b>1,027,852</b>

	Unaudited Attributable to equity holders of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at January 1, 2016	120,000	1,001,287	(774)	7,580	227,586	-	1,355,679
Loss for the period	-	-	-	-	(61,600)	(681)	(62,281)
Other comprehensive income:							
Currency translation differences	-	-	-	(29,950)	-	26	(29,924)
Total comprehensive income for the period	-	-	-	(29,950)	(61,600)	(655)	(92,205)
Transactions with owners in their capacity as owners:							
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	738	738
Transactions with non-controlling interests	-	-	-	-	-	2,412	2,412
	-	-	-	-	-	3,150	3,150
<b>Balance at June 30, 2016</b>	<b>120,000</b>	<b>1,001,287</b>	<b>(774)</b>	<b>(22,370)</b>	<b>165,986</b>	<b>2,495</b>	<b>1,266,624</b>

The notes on pages 12 to 31 are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2017

	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	Unaudited Six months ended June 30, 2016 HK\$'000
Net cash (used in)/generated from operating activities	(13,934)	147,374
Net cash used in investing activities	(148,079)	(201,968)
Net cash generated from financing activities	163,201	86,615
Net increase in cash and cash equivalents	1,188	32,021
Cash and cash equivalents at beginning of the period	35,209	31,970
Exchange gains/(loss) on cash and cash equivalents	7,636	(463)
Cash and cash equivalents at end of the period	<b>44,033</b>	63,528

The notes on pages 12 to 31 are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Statements

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## 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 by the Audit Committee but not audited, and it was approved for issue by the Board of directors (“**Board**”) on July 3, 2018.

## 2 KEY EVENTS

As disclosed in the annual report of 2016, the predecessor auditor of the Company identified certain 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 certain matters by an independent professional advisor was undertaken. The basis for disclaimer of opinion is set out in 2015 Independent Auditors Report. The basis for qualified opinion is also set out in the 2016 Independent Auditors Report.

## 3 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2017 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 fifteen months ended December 31, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

# Notes to the Condensed Consolidated Interim Financial Statements

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## 4 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the fifteen months ended December 31, 2016, 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"*

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.

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.

## 4 ACCOUNTING POLICIES *(Continued)*

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

#### (i) HKFRS 9 "Financial Instruments" *(Continued)*

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 amortized 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. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. The directors expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39. The Group considers that the adoption of the new standard of HKFRS 9 will not have significant impact on the Group's financial position and financial performance.

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 January 1, 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 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.

#### (ii) HKFRS 15 "Revenue from contracts with customers"

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

## 4 ACCOUNTING POLICIES *(Continued)*

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

#### (ii) *HKFRS 15 "Revenue from contracts with customers" (Continued)*

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

The Group considers that the adoption of HKFRS 15 would not have a significant impact on the Group's financial performance and financial position.

#### (iii) *HKFRS 16 "Leases"*

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total future minimum lease payments under non-cancellable operating leases of the Group as at June 30, 2017 amounted to approximately HK\$22,684,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.



## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market 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 fifteen months ended December 31, 2016.

### 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. During the Period Under Review, the Group has not entered into any instruments in order to mitigate the risk arising from fluctuations in aluminium price. Any change in aluminium price could affect the Group's financial performance.

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.

### 5.4 Fair value estimation

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

# Notes to the Condensed Consolidated Interim Financial Statements

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## 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 fifteen months ended December 31, 2016.

## 7 REVENUE AND 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 REVENUE AND 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 six months ended June 30, 2017 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	375,098	78,589	327,626	781,313
Cost of sales	(317,177)	(72,920)	(310,472)	(700,569)
Segment gross profit	57,921	5,669	17,154	80,744
Unallocated operating costs				(179,468)
Other income				13,570
Other gains – net				9,545
Finance costs – net				(18,400)
Share of results of investments accounted for using the equity method				(4,036)
Loss before income tax				(98,045)

# Notes to the Condensed Consolidated Interim Financial Statements

## 7 REVENUE AND SEGMENT INFORMATION *(Continued)*

The segment information for the operating segments for the six months ended June 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	356,985	104,637	348,774	810,396
Cost of sales	<u>(276,538)</u>	<u>(103,590)</u>	<u>(326,807)</u>	<u>(706,935)</u>
Segment gross profit	80,447	1,047	21,967	103,461
Unallocated operating costs				(174,877)
Other income				4,212
Other gains – net				19,968
Finance costs – net				(9,824)
Share of results of investments accounted for using the equity method				<u>(3,376)</u>
Loss before income tax				<u><u>(60,436)</u></u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 7 REVENUE AND SEGMENT INFORMATION *(Continued)*

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the six months ended June 30, 2017 and 2016 consists of the following:

	Unaudited					
	Six months ended June 30, 2017					
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America HK\$'000	Kong HK\$'000	HK\$'000	HK\$'000
Sales to external customers	567,458	129,074	16,959	56,571	11,251	781,313
Cost of sales	<u>(522,663)</u>	<u>(109,618)</u>	<u>(13,960)</u>	<u>(43,331)</u>	<u>(10,997)</u>	<u>(700,569)</u>
Gross profit	<u>44,795</u>	<u>19,456</u>	<u>2,999</u>	<u>13,240</u>	<u>254</u>	<u>80,744</u>

	Unaudited					
	Six months ended June 30, 2016					
	The PRC	Australia	North	Hong	Others	Total
	HK\$'000	HK\$'000	America HK\$'000	Kong HK\$'000	HK\$'000	HK\$'000
Sales to external customers	610,856	101,815	24,948	66,799	5,978	810,396
Cost of sales	<u>(545,478)</u>	<u>(86,662)</u>	<u>(19,377)</u>	<u>(49,543)</u>	<u>(5,875)</u>	<u>(706,935)</u>
Gross profit	<u>65,378</u>	<u>15,153</u>	<u>5,571</u>	<u>17,256</u>	<u>103</u>	<u>103,461</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 8 PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	Audited Fifteen months ended December 31, 2016 HK\$'000
Opening net book amount	<b>853,757</b>	697,613
Exchange differences	<b>24,018</b>	(69,790)
Additions	<b>169,080</b>	324,362
Acquisition of subsidiaries	–	972
Disposals	<b>(2,966)</b>	(889)
Depreciation (Note 13)	<b>(46,332)</b>	(98,511)
Closing net book amount	<b><u>997,557</u></b>	<u>853,757</u>

## 9 TRADE AND BILLS RECEIVABLES

	<b>Unaudited June 30, 2017 HK\$'000</b>	Audited December 31, 2016 HK\$'000
Trade receivables – net	<b>360,808</b>	408,750
Bills receivables	<b>2,161</b>	5,583
Trade and bills receivables – net	<b><u>362,969</u></b>	<u>414,333</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 TRADE AND BILLS 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 (2016: 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 June 30, 2017 HK\$'000	Audited December 31, 2016 HK\$'000
Current	<b>84,895</b>	328,225
1 – 30 days	<b>88,161</b>	47,860
31 – 60 days	<b>45,520</b>	9,096
61 – 90 days	<b>19,740</b>	6,138
91 – 180 days	<b>103,789</b>	4,047
181 days – 1 year	<b>8,821</b>	6,076
Over 1 year	<b>12,043</b>	12,891
	<b>362,969</b>	414,333

As at June 30, 2017, receivables of HK\$84,895,000 were neither past due nor impaired (as at December 31, 2016: HK\$328,225,000). 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\$152,803,000 to financial institution or bank in exchange for cash as at June 30, 2017 (as at December 31, 2016: HK\$198,390,000). The transactions have been accounted for as collateralized borrowings (Note 11).

As at June 30, 2017, all trade receivables were non-interest bearing (as at December 31, 2016: Same).

# Notes to the Condensed Consolidated Interim Financial Statements

## 10 SHARE CAPITAL

	Unaudited June 30, 2017		Audited December 31, 2016	
	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 June 30, 2017 HK\$'000	Audited December 31, 2016 HK\$'000
Current		
Collateralized borrowings of a financial institution (Note 9)	<b>104,027</b>	144,280
Other loans	<b>650,248</b>	415,263
	<u><b>754,275</b></u>	<u>559,543</u>

As at June 30, 2017, the effective interest rate of the interest-bearing borrowings was 5.56% per annum (At December 31, 2016: 5.67% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

As at June 30, 2017, the Group's banking facilities were secured by the pledge of the Group's land use rights, property, plant & equipment and trade receivables (At December 31, 2016: Same).



# Notes to the Condensed Consolidated Interim Financial Statements

## 12 TRADE PAYABLES

As at June 30, 2017 and December 31, 2016, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Unaudited June 30, 2017 HK\$'000	Audited December 31, 2016 HK\$'000
0 – 30 days	87,531	59,447
31 – 60 days	16,985	22,856
61 – 90 days	17,642	22,907
Over 90 days	24,544	48,486
	<b>146,702</b>	153,696

## 13 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2017 HK\$'000	Unaudited Six months ended June 30, 2016 HK\$'000
Operating loss is stated after charging/ (crediting) the following:		
Auditor's remuneration – current period	2,350	1,880
Operating leases – land and buildings	7,338	5,503
Cost of inventories recognized as expenses	700,569	706,935
Employee benefit expenses	155,760	168,669
Depreciation of property, plant and equipment (Note 8)	46,332	38,139
Amortization of land use rights	3,103	1,546

# Notes to the Condensed Consolidated Interim Financial Statements

## 14 OTHER GAINS – NET

	Unaudited Six months ended June 30, 2017 HK\$'000	Unaudited Six months ended June 30, 2016 HK\$'000
Net exchange gains	9,545	19,574
Gain on derivative financial instruments – aluminium future contracts	–	394
	<u>9,545</u>	<u>19,968</u>

## 15 FINANCE INCOME AND COSTS

	Unaudited Six months ended June 30, 2017 HK\$'000	Unaudited Six months ended June 30, 2016 HK\$'000
Interest income:		
Interest income on bank deposits	<u>564</u>	<u>986</u>
Finance income	<u>564</u>	<u>986</u>
Interest expenses:		
Interest expense on borrowings	<u>(18,258)</u>	<u>(10,776)</u>
Interest element of finance leases	<u>(706)</u>	<u>(34)</u>
Finance costs	<u>(18,964)</u>	<u>(10,810)</u>
Finance costs – net	<u>(18,400)</u>	<u>(9,824)</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 six months ended June 30, 2017.

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the six months ended June 30, 2017.

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore) Limited is exempted from Macao Complementary Tax during the six months ended June 30, 2017 (2016: Same).

	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	<b>Unaudited Six months ended June 30, 2016 HK\$'000</b>
Hong Kong profits tax		
– current period	<b>(1,355)</b>	(1,643)
Overseas taxation		
– current period	<b>(585)</b>	(202)
	<b><u>(1,940)</u></b>	<b><u>(1,845)</u></b>

## 17 DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2017 and 2016.

# Notes to the Condensed Consolidated Interim Financial Statements

## 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 period.

	Unaudited Six months ended June 30, 2017	Unaudited Six months ended June 30, 2016
Loss attributable to equity holders of the Company (HK\$'000)	<u>(99,105)</u>	<u>(61,600)</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>(8.3)</u>	<u>(5.1)</u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended June 30, 2017 and 2016, respectively.

## 19 CAPITAL COMMITMENTS

	Unaudited June 30, 2017 HK\$'000	Audited December 31, 2016 HK\$'000
Contracted but not provided for – property, plant and equipment	<u>264,776</u>	<u>355,385</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 six months ended June 30, 2017 and 2016:

During the period, the Group incurred service fee of HK\$2,764,000 (2016: Nil) to a related company controlled by certain directors of the Company.

### (i) Sales of goods

	<i>Notes</i>	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	<b>Unaudited Six months ended June 30, 2016 HK\$'000</b>
Sales of aluminium extrusion materials			
Guangzhou Rongjin Curtain Wall Co., Ltd.	<i>(a), (b)</i>	–	177
Investments accounted for using equity method:			
OPLV (Shanghai) Doors and Windows System Co., Ltd.	<i>(b)</i>	<b>3,028</b>	–
Yunnan OXLD Windows Co., Ltd.	<i>(b)</i>	<b>3,000</b>	–
Hunan OPLV Doors and Windows Systems Co., Ltd.	<i>(b)</i>	<b>2,107</b>	–
OPLV (Anhui) Doors and Windows Systems Co., Ltd.	<i>(b)</i>	<b>1,859</b>	–
OPLV (Hubei) Doors and Windows Systems Co., Ltd.	<i>(b)</i>	<b>1,860</b>	–
Gansu OPLV Jiapin Entire System Doors and Windows Co., Ltd.	<i>(b)</i>	<b>440</b>	–

# Notes to the Condensed Consolidated Interim Financial Statements

## 20 RELATED PARTY TRANSACTIONS (Continued)

### (i) Sales of goods (Continued)

- <sup>1</sup> The English name of the related company established 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 settlor of The Pan Family trust.
- (b) In the opinion of the executive 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:

	<b>Unaudited Six months ended June 30, 2017 HK\$'000</b>	<b>Unaudited Six months ended June 30, 2016 HK\$'000</b>
Salaries, bonus and allowances	<b>8,819</b>	7,448
Pension	<b>73</b>	909
	<b>8,892</b>	8,357

# Notes to the Condensed Consolidated Interim Financial Statements

## 20 RELATED PARTY TRANSACTIONS *(Continued)*

### (iii) Due from a related company and due from/to the investments accounted for using the equity method

		<b>Unaudited</b>	Audited
		<b>June 30,</b>	December 31,
		<b>2017</b>	2016
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
Due from a related company			
– Rongjin	<i>(a), (b)</i>	<b>1,566</b>	934
Due from the investments accounted for using the equity method	<i>(a)</i>	<b>27,438</b>	16,975
Due to the investments accounted for using the equity method	<i>(a)</i>	<b>(153)</b>	(198)

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, a Director of the Company, 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 of the disposal, 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.

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

### (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 considered that it would 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.

### (c) Disposal of Leading Sense Limited

The Group's 45% equity interest in Leading Sense Limited, which was accounted for an associated company of the Group, has been disposed of with effective on June 26, 2018.



# Management Discussion and Analysis

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## 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 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 first six months ended June 30, 2017 ("**Period Under Review**") was HK\$781 million (2016 Period: HK\$810 million), representing a decrease of 3.6% as compared with the six months ended June 30, 2016 ("**2016 Period**"). The Group's overall gross profit margin stayed at 10.3% for Period Under Review which is lower than 2016 Period of 12.8%. Net loss after tax attributable to shareholders was HK\$99 million (2016 Period: net loss after tax HK\$62 million).

### Electronics Parts

The Electronics Parts segment contributed HK\$375 million to the total revenue of the Group, representing an increase of 5.1% as compared with HK\$357 million for the 2016 Period. The gross profit margin of the Electronics Parts has decreased from 22.5% for the 2016 Period to 15.4% for the Period Under Review.

### Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK\$328 million (2016 Period: HK\$349 million) and 5.2% (2016 Period: 6.3%) 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 increased 26.8% from HK\$102 million in the 2016 Period to HK\$129 million but the sales to North America and others had dropped 8.8% for the Period Under Review. The increasing prices of aluminium and other raw materials, have reduced the gross profit margin of the Construction and Industrial Products segment.

# Management Discussion and Analysis

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## **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 10.1% of the total Group sales in the Period Under Review which is lower than that in the 2016 period of 12.9% but there was an increase in the gross profit margin from 1% for the 2016 Period to 7.2% for the Period Under Review.

## **Cost of sales**

With the drop in sales, cost of sales decreased by 0.9% from HK\$707 million for the 2016 Period to HK\$701 million for the Period Under Review. This is in line with the drop in total revenue.

## **Gross profit**

Gross profit declined by 21.9% from HK\$103 million for the 2016 Period to HK\$81 million for the Period Under Review, there was a decrease in gross profit margin from 12.8% for the 2016 Period to 10.3% 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 stayed at HK\$51 million from the 2016 Period to the Period Under Review. It consists of mainly staff cost, transportation and travelling expenses.

## **Administrative expenses**

Administrative expenses increased from HK\$124 million for the 2016 Period to HK\$128 million for the Period Under Review. The increase was mainly due to increase in entertainment expenses and legal and professional fee.

## **Other gains – net**

Other gains changed from HK\$20 million for the 2016 Period to HK\$10 million for the Period Under Review. The gain was mainly due to the appreciation of AUD against HKD during the Period Under Review which the Group had enjoyed significant exchange gains.

# Management Discussion and Analysis

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## **Finance income**

Finance income stayed at HK\$1 million from the 2016 Period to the Period Under Review. It mainly comprised interest income.

## **Finance costs**

Finance costs amounted to approximately HK\$19 million for the Period Under Review compared to HK\$11 million for 2016 Period.

## **Income tax expenses**

Income tax expenses of HK\$2 million was mainly incurred in HK and China for the Period Under Review.

## **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.

Customers in Electronics Parts segment were expected to bring in a higher profit margin to the Group than other segments. Going forward, the Group will continue to develop 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 to achieve these goals. Recently, the Group has passed the requirements of International Automotive Task Force on IATF16949:2016 and the Group will be able to accept sales order for the manufacturing of different aluminium alloy automobile parts and components using extrusion processes.

# Management Discussion and Analysis

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## Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at June 30, 2017 the Group had HK\$44 million cash and cash equivalents (as at December 31, 2016: HK\$35 million), HK\$55 million pledged bank deposits (as at December 31, 2016: HK\$64 million), interest-bearing borrowings of HK\$754 million denominated in Renminbi ("**RMB**") (as at December 31, 2016: HK\$560 million denominated in RMB) and obligation under finance leases of HK\$9 million denominated in RMB and HKD (as at December 31, 2016: HK\$24 million).

## Charges on Asset

HK\$281 million (as at December 31, 2016: HK\$260 million) of land use rights, HK\$29 million (as at December 31, 2016: HK\$30 million) of buildings and HK\$153 million (as at December 31, 2016: HK\$198 million) of trade receivables of the Group were pledged as security for the Group's bank borrowings.

## Capital Structure

As at June 30, 2017 and December 31, 2016, 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

The Group continued to receive AUD, USD and RMB 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. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. During the Period Under Review, the Group has not entered into any instruments in order to mitigate the risk arising from fluctuations in aluminium price. Any change in aluminium price could affect the Group's financial performance.

# Management Discussion and Analysis

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## **Significant Investment, Material Acquisition and Disposal**

The Group did not have any significant investment, material acquisition and disposal during the Period under Review.

## **Capital Commitments**

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2017 were approximately HK\$265 million (as at December 31, 2016: HK\$355 million), which was mainly related to the acquisition of machineries in the PRC.

## **Contingent Liabilities**

As at June 30, 2017, the Group had no contingent liabilities (as at December 31, 2016: Nil).

## **Employee Information and Remuneration Policies**

As at June 30, 2017, the Group employed approximately 3,900 staff (as at December 31, 2016: 4,700). 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\$156 million (2016 Period: HK\$169 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 Hongtao

Mr. Chan Kai Lun Allan (appointed on March 27, 2017)

Mr. Ma Yu Yan (ceased on May 9, 2017)

#### Non-executive Directors

Mr. Cosmo Borrelli

Ms. Chi Lai Man Jocelyn

#### 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)

Mr. Choi Tze Kit Sammy (ceased on February 11, 2017)

Mr. Lam Kwok Fai Osmond (ceased on March 21, 2017)

Mr. Tang Warren Louis (ceased on March 21, 2017)

### BOARD COMMITTEES

#### Audit Committee

Mr. Mar Selwyn (Chairman) (appointed as member on February 8, 2017 and Chairman on February 11, 2017)

Mr. Choi Tze Kit Sammy (Chairman) (ceased on February 11, 2017)

Mr. Chan Kai Nang (appointed on February 24, 2017)

Mr. Leung Ka Tin (appointed on February 24, 2017)

Mr. Lam Kwok Fai Osmond (ceased on March 21, 2017)

Mr. Tang Warren Louis (ceased on March 21, 2017)

#### Remuneration Committee

Mr. Chan Kai Nang (Chairman) (appointed as member on February 24, 2017 and Chairman on March 21, 2017)

Mr. Lam Kwok Fai Osmond (Chairman) (ceased on March 21, 2017)

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

Mr. Mar Selwyn (appointed on February 8, 2017)

Mr. Leung Ka Tin (appointed on February 24, 2017)

Mr. Choi Tze Kit Sammy (ceased on February 11, 2017)

Mr. Tang Warren Louis (ceased on March 21, 2017)

## Other Information

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### Nomination Committee

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

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

Mr. Choi Tze Kit Sammy (ceased on February 11, 2017)

Mr. Lam Kwok Fai Osmond (ceased on March 21, 2017)

Mr. Tang Warren Louis (ceased on March 21, 2017)

### INTERIM DIVIDEND

At the meeting of the Board held on July 3, 2018, the Board did not declare an interim dividend for the six months ended June 30, 2017.

### 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. No Shares were granted to Employees during the Period under Review.



## Other Information

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

As at June 30, 2017, 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 <sup>(Note)</sup>	Interest of spouse	900,000,000	75%

#### Notes:

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

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 June 30, 2017, 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 <sup>(Note)</sup>	Beneficial Owner	900,000,000	75%
Marina Star Limited <sup>(Note)</sup>	Interest in controlled corporation	900,000,000	75%
HSBC International Trustee Limited <sup>(Note)</sup>	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

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### CORPORATE GOVERNANCE PRACTICES

The Current Board, with the best information available, confirmed 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 the 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.

### Financial Reporting

Furthermore, subsequent to the Period Under Review, and as announced on December 19, 2014, the Company has, upon the recommendation of the then auditor, resolved to appoint the independent professional adviser (“**IPA**”) to investigate into matters raised by the auditor (“**Issues**”), including but 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 the year ended December 31, 2017; (ii) publishing the related interim and annual report for the aforesaid year; and (iii) complying with the Code Provision C.1.

The Company did not hold its annual general meetings in 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.

## Other Information

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### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Period Under Review.

### 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 as at the date of this report.

### EVENTS AFTER THE REPORTING PERIOD

- (a) Changes of Directors/CEO subsequent to reporting period up to the date of this report are as follows:
- Mr. Cosimo Borrelli (appointed as the non-executive chairman of the Company on November 9, 2017)
  - Ms. Shao Liyu (ceased as the chairlady of the Company on November 9, 2017 and re-designated from CEO to Joint CEO on June 22, 2018)
  - Mr. Chan Kai Nang (retired as an independent non-executive Director on January 24, 2018)
  - Mr. Zhu Hongtao (retired as an executive Director on January 24, 2018)
  - Mr. Wong Kwok Wai Eddy (appointed as an executive Director on March 2, 2018)
  - Dr. Cheung Wah Keung (appointed as an independent non-executive Director on March 22, 2018)
  - Mr. Chan Kai Lun Allan (resigned as an executive Director on May 11, 2018)
  - Dr. Huang Gang (appointed as Joint CEO on June 22, 2018)

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

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

- (a) the Company conducted 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 ended September 30, 2014, disclosed the findings and took any remedial actions;
- (b) the Company published all outstanding financial results and addressed any audit qualifications;
- (c) the Company demonstrated that it had put in place adequate financial reporting procedures and internal control systems to meet obligations under the Listing Rules; and
- (d) the Company informed the market of all material information.

As disclosed by the Company dated December 19, 2014, the Company has set up a First Independent Committee comprising 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 an investigation on certain matters ("**Investigation**").

As disclosed by the Company on March 17, 2015, the First Independent Committee had engaged an independent legal adviser and appointed an independent professional adviser ("**IPA**") to perform the Investigation.

## Other Information

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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.

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  
and retired on January 24, 2018)

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 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 Annual Report 2014 and 2015.

On October 24, 2017, the members of the Independent Committee and its legal adviser were of the view that there were no outstanding matters for the Independent Committee. The Independent Committee was therefore resolved.

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.

Save as disclosed above and 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 June 30, 2017 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 six months ended June 30, 2017 and has recommended their adoption to the Board.



## Other Information

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### REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended June 30, 2017 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, July 3, 2018