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

Annual Report 2017

This Annual Report is printed on environmentally friendly paper

Contents

Corporate Information

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 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
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
(the “**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

Corporate Information

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 at the date of this report. For information on directors of the Company ("**Director(s)**") for the year ended December 31, 2017, please refer to Corporate Governance Report in this annual report.

Financial Highlights

For the year ended December 31, 2017

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Operating results		
Revenue	**1,778,683**	2,236,024
Gross profit	**232,021**	300,917
Operating loss	**(95,809)**	(162,691)
Loss before income tax	**(150,473)**	(195,676)
Operating profit/(loss) before working capital charges	**22,814**	(1,120)
Loss attributable to owners of the Company	**(156,332)**	(232,001)
Cash (used in)/generated from operations	**(74,211)**	176,894
Financial position (HK$'000)		
Net debt	**(852,073)**	(548,362)
Equity attributable to owners of the Company	**998,543**	1,108,110
Loss per share for loss attributable to equity holders of the Company		
Basic and diluted (HK cents per share)	**(13.0)**	(19.3)
Key ratios (%)		
Gross Profit Margin	**13.0%**	13.5%
Operating Profit Margin	**-5.4%**	-7.3%
Net Profit Margin	**-8.8%**	-10.4%

Management Discussion and Analysis

Overview

Business and Financial Overview

In 2016, the financial year end date of the Company has been changed from September 30 to December 31. Accordingly, last financial year covers a period of fifteen months from October 1, 2015 to December 31, 2016, which may not be entirely comparable with current year's results which cover a period of twelve months.

The Group is an aluminium products manufacturer based in Guangdong Province, the 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 year ended December 31, 2017 ("**Year Under Review**") was HK$1,779 million (period ended December 31, 2016: HK$2,236 million), representing a decrease of 20% as compared with the period ended December 31, 2016. The Group's overall gross profit margin dropped from 14% for the period ended December 31, 2016 to 13% for the Year Under Review. Net loss after tax attributable to shareholders had significantly reduced from HK$232 million for the period ended December 31, 2016 to HK$156 million for the Year Under Review. The reduction in net loss was mainly due to (i) difference in the period cover under the two financial years; (ii) significant increase in exchange gain arising from appreciation of AUD against HKD; (iii) significant decrease in staff costs; and (iv) absence of the write-down of trade receivables from former Australian Customers of the Group for the Year Under Review.

Comparing the Year Under Review with the period ended December 31, 2016, revenue from the Electronics Parts segment, Construction and Industrial Products segment and Branded OPLV Products segment has decreased by 21%, 13% and 39% respectively.

Revenue contributions by the respective segments for the year ended December 31, 2017 and fifteen months ended December 31, 2016 are presented below:

	Revenue for the		The percentage of total revenue for the	
	Year ended December 31, 2017 (HK$ million)	Fifteen months ended December 31, 2016 (HK$ million)	**Year ended December 31, 2017**	Fifteen months ended December 31, 2016
Business Segment				
– Electronics Parts	**903**	1,141	**50.8%**	51.0%
– Construction and Industrial Products	**698**	805	**39.2%**	36.0%
– Branded OPLV Products	**178**	290	**10.0%**	13.0%
Total	**1,779**	2,236	**100.0%**	100.0%
Geographical Segment				
– The PRC	**1,337**	1,751	**75.2%**	78.3%
– Australia	**287**	282	**16.1%**	12.6%
– North America	**31**	42	**1.7%**	1.9%
– Hong Kong	**97**	146	**5.5%**	6.5%
– Others	**27**	15	**1.5%**	0.7%
Total	**1,779**	2,236	**100.0%**	100.0%

Management Discussion and Analysis

Electronics Parts

The Electronics Parts segment contributed approximately HK$903 million to the total revenue of the Group for the 12-month period, representing a decrease of 21% as compared with HK$1,141 million for 15-month period ended December 31, 2016. Gross profit margin increased to 19% for the Year Under Review as compared with 16% for period ended December 31, 2016.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK$698 million (period ended December 31, 2016: HK$805 million) and 7% (period ended December 31, 2016: 14%) respectively for the Year Under Review. There was a 2% increase in sales in Australia but a drop of 23% in sales to the other regions (exclude the PRC). The increasing prices of aluminium and other raw materials, have hindered the export sales to overseas customers.

Branded OPLV Products

The Group had continued the Branded OPLV Products market in Mainland China by engaging distributors for selling Branded OPLV Products. Sales decreased from HK$290 million for the period ended December 31, 2016 to HK$178 million for the Year Under Review. Gross profit margin of Branded OPLV Products increased from 3% for the period ended December 31, 2016 to 7% for the Year Under Review. Facing the fierce competition in the door and windows market, along with the low gross profit margin and high marketing costs, the Branded OPLV Products segment continued to be a loss-making operation in the Year Under Review.

In order to prevent further loss to the Group, the management of the Company has decided to dispose this loss-making operation for better allocation of the Group's resources.

On December 28, 2017, the Group entered into a conditional sales and purchase agreement to dispose of its entire equity interest in OPLV (Nanyang) Doors and Windows Systems Co., Ltd and OPLV Architectural Design Pty Ltd. Details of the disposal of the Branded OPLV products segment are set out under the paragraph headed "Significant Investment, Material Acquisition and Disposal" of this annual report.

Cost of sales

With the significant decline in sales, cost of sales decreased by 20% from HK$1,935 million for the period ended December 31, 2016 to HK$1,547 million for the Year Under Review. This was in line with the decrease in sales from HK$2,236 million for the period ended December 31, 2016 to HK$1,779 million for the Year Under Review.

Gross profit

Despite the decrease of gross profit from HK$301 million for the period ended December 31, 2016 to HK$232 million for the Year Under Review, our gross profit margin has dropped from 14% for the period ended December 31, 2016 to 13% for the Year Under Review. The Group has been actively seeking ways to reduce sales of lower gross profit margin products to achieve a higher overall gross profit margin for this fiscal year. Yet, the persisting unfavorable macro factors, including the volatility in each of the market the Group operates and the uncertainty over the economic condition in China, had dampened consumer sentiment and reduced the demand of the Group's products.

Distribution and selling expenses

Distribution and selling expenses decreased by 27% from HK$142 million for the period ended December 31, 2016 to HK$104 million for the Year Under Review. The decrease was in line with the decline in sales, which led to a significant decrease in staff costs and travelling expenses.

Administrative expenses

Administrative expenses dropped by 25% from HK$340 million for the period ended December 31, 2016 to HK$255 million for the Year Under Review. The decrease was due to absence of provision for impairment of intangible assets, decrease in staff costs due to decrease in number of employees, and absence of the write-off of trade receivables from former Australian Customers of the Group for the Year Under Review.

Other income

Other income comprised net sales of scrapped materials which was HK$11 million for the Year Under Review.

Management Discussion and Analysis

Other gains/(losses) – net
Other gains/(losses) changed from HK$17 million loss for the period ended December 31, 2016 to HK$12 million gain for the Year Under Review. The change was mainly due to the appreciation of AUD against HKD during the Year Under Review which the Group had enjoyed significant exchange gains and absence of losses from certain derivative financial instruments.

Finance income
Finance income mainly comprised interest income which amounted to approximately HK$1 million for the Year Under Review compared to HK$3 million for the period ended December 31, 2016.

Finance costs
Finance costs amounted to approximately HK$47 million for Year Under Review compared to HK$29 million for the period ended December 31, 2016.

Income tax expense
Our income tax changed from income tax expense of HK$38 million for the period ended December 31, 2016 to HK$8 million for the Year Under Review.

Currency translation differences in other comprehensive income
Currency translation differences amounted to approximately HK$47 million for the Year Under Review, which was mainly attributable to the currency translation differences of RMB against the HKD.

Adjusted EBITDA results, excluding non-recurring items

	Year ended December 31, 2017 HK$ million	Fifteen months ended December 31, 2016 HK$ million
Loss before income tax	**(150)**	(196)
Adjusted by:		
Depreciation	**100**	99
Amortisation	**6**	6
Interest expenses	**47**	29
Adjusted by:		
Other non-recurring items:		
Legal and professional fee	**10**	4
Provision for impairment on other prepayment and deposits	**–**	7
Relocation cost	**4**	–
Write off of trade receivables	**–**	3
OPLV operating losses *(Note)*	**52**	108
Total	**69**	60

Note: Details of the proposed disposal of the OPLV are set out in the Note 16 to the consolidated financial statements of this annual report and the announcement of the Company dated December 28, 2017.

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 the Year Under Review declined, customers in this segment are expected to bring in a higher profit margin to the Group than other segments. 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. 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 the International Automotive Task Force on IATF16949:2016 and the Group will now be able to accept sales orders for the manufacturing of different aluminium alloy automobile parts and components.

As disclosed in the announcement of the Company dated October 1, 2013, the Company plans to relocate its current production facilities in Zengcheng, Guangdong Province to Nanyang City in Henan Province, the PRC and establish a new aluminium alloy production base there. With the new Nanyang facility, the Group can better integrate its existing production facilities and expand its production capacity to meet the growing demand for high quality products.

Phase 1 of the Group's integrated manufacturing facility for aluminium alloy products in Nanyang begun production on October 23, 2015. Details of the construction and commencement of the production of the Nanyang production facility are set out in the announcements of the Company dated April 8, 2015, October 23, 2015 and November 17, 2015.

On April 10, 2015, PanAsia Aluminium (Hong Kong) Limited ("**PAHK**"), a wholly-owned subsidiary of the Company, entered into an investment agreement with the Jimsar County Government by establishing and investing in a new wholly owned subsidiary with an estimated aggregate capital of at least RMB200 million (equivalent to approximately HK$254 million) at Xinjiang to produce high-end aluminium rods and aluminium rolled products ("**Xinjiang Project**"). On December 18, 2015, the Group entered into an agreement with Jimsar Bureau of Land and Resources 吉木薩爾縣國土資源局 ("**JBLR**") by purchasing a piece of land in that region with a consideration of approximately RMB3.6 million (equivalent to approximately HK$4.4 million), which was waived by the JBLR.

Aluminium ingots are the principal raw material for the Group's production process. The process of smelting the aluminium ingots and turning them into aluminium rods is costly. The establishment of a production base in Jimsar of Xinjiang will enable the Group to produce aluminium rods more efficiently and will provide a more stable source of supply of raw material to the Group.

Details of the investment agreement for the Xinjiang Project are set out in the announcement of the Company dated April 13, 2015.

On December 28, 2017, the Group entered into a conditional sales and purchase agreement to dispose of its entire equity interest in OPLV (Nanyang) Doors and Windows Systems Co., Ltd and OPLV Architectural Design Pty Ltd. Details of the disposal of the Branded OPLV Products segment are set out under the paragraph headed "Significant Investment, Material Acquisition and Disposal" in the annual report. The Group's financial position is expected to be substantially enhanced from the disposal of these loss-making subsidiaries.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at December 31, 2017 the Group had HK$26.3 million cash and cash equivalents (December 31, 2016: HK$35.2 million), HK$8.0 million pledged bank deposits (December 31, 2016: HK$64.5 million), interest-bearing borrowings of HK$874.8 million denominated in Renminbi ("**RMB**") (December 31, 2016: HK$559.5 million denominated in RMB) and obligation under finance leases of HK$3.6 million denominated in RMB and HKD (December 31, 2016: HK$24.0 million denominated in RMB and HKD).

Borrowings

Particulars of borrowings of the Group as at December 31, 2017 are set out in Note 27 to the consolidated financial statements.

Management Discussion and Analysis

Charges on Asset

HK$289.6 million (December 31, 2016: HK$260.4 million) of land use rights, HK$29.1 million (December 31, 2016: HK$29.8 million) of buildings, HK$86.1 million (December 31, 2016: HK$82.3 million) of plant and machinery and HK$199.8 million (December 31, 2016: HK$198.4 million) of trade receivables of the Group were pledged as security for the Group's borrowings.

Summary of key financial ratios

	Year ended December 31, 2017	Fifteen months ended December 31, 2016
Gross Profit Margin (1)	**13.0%**	13.5%
Return on Equity (2)	**(15.7%)**	(20.9%)
Interest Coverage Ratio (3)	**(2.25)**	(5.95)

	As at December 31, 2017	As at December 31, 2016
Current Ratio (4)	**0.70**	0.86
Quick Ratio (5)	**0.45**	0.58
Gearing Ratio (6)	**88.0%**	52.6%
Debt to Equity Ratio (7)	**85.3%**	49.4%

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

Capital Structure

As at December 31, 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 Year Under Review, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. 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.

Management Discussion and Analysis

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

Significant Investment, Material Acquisition and Disposal

On December 28, 2017, PanAsia Aluminium (Hong Kong) Limited and PanAsia Trading Limited (which are wholly-owned subsidiaries of the Company) as the vendors, the purchasers, which are companies beneficially owned by Ms. Shao Liyu ("**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 ("**OPNY**") and OPLV Architectural Design Pty Ltd ("**OPAD**"). The vendors shall also procure the accounts receivable to be transferred or assigned to the purchasers, all at an aggregate consideration of RMB20 million.

On May 14, 2018, the parties to the agreements agreed to extend the long stop date to October 28, 2018 since additional time is required to prepare and finalise the circular to the Shareholders in relation to the disposal.

Upon completion of the disposal, the Group will cease to have any interest in the OPLV Group and its financial results will no longer be consolidated into the Company's consolidated financial statements.

Details of the above transactions are set out in the announcements of the Company dated December 28, 2017, January 19, 2018, March 29, 2018 and May 14, 2018.

Save as disclosed above, the Group did not have any significant investment, material acquisition and disposal during the year ended December 31, 2017.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2017 amounted to approximately HK$311 million (December 31, 2016: approximately HK$355 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

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

Employee Information and Remuneration Policies

As at December 31, 2017 the Group employed approximately 3,800 staff (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 Year Under Review, the Group incurred staff costs (including Directors' emoluments) of HK$406 million (period ended December 31, 2016: HK$476 million).

Biographical Details of Existing Directors and Senior Mangement

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

Executive Directors

Ms. Shao Liyu – Joint CEO

Ms. Shao Liyu ("**Ms. Shao**", formerly known as "**Shao Lidan**"), aged 49, is an executive director and Joint chief executive officer of the Company and a director of certain subsidiaries of the Group. Ms. Shao was appointed as an executive director of the Company on January 18, 2013 and chief executive officer of the Company on April 22, 2015 and redesignated to Joint chief executive director of the Company on June 22, 2018. She was also the Chairlady of the Company during the period from December 16, 2014 to November 8, 2017.

She has over 26 years of experience in the aluminium fabrication and distribution industry as well as years of experience in factory management and human resources. In 1992, Ms. Shao worked in Zengcheng Aluminium Alloys, focusing on human resources matters. Since 1997, Ms. Shao has been working with the Company's former chairman, Mr. Marcus Pan in the establishment, expansion and diversification of the Group's businesses. Ms. Shao graduated from Zengcheng City Xintang High School in 1986. Other than holding directorship in the Company, Ms. Shao has no directorship in any other listed company in the last three years. Ms. Shao is a beneficiary under a discretionary trust whereby 900,000,000 Shares are held by Easy Star Holdings Limited ("**Easy Star**"), representing approximately 75% of the issued share capital of the Company.

Mr. Wong Kwok Wai Eddy

Mr. Wong Kwok Wai Eddy ("**Mr. Wong**"), aged 54, has been appointed as an executive director of the Company since March 2, 2018. He is also the director of Greater China and International Business of the Group and the director of certain subsidiaries of the Company. Mr. Wong is primarily responsible for business development of the Group. He joined the Group in 2005. Mr. Wong has been the general sales manager of the Company since 2008 and the marketing director of PanAsia Aluminium (Hong Kong) Co., Ltd. since 2005. Mr. Wong had over 20 years of experience in marketing and promoting, sales and business development. Mr. Wong graduated from Hong Kong Tai Tung Middle School in 1984.

Non-Executive Directors

Mr. Cosimo Borrelli – Non-Executive Chairman

Mr. Cosimo Borrelli ("**Mr. Borrelli**"), aged 51, has been a non-executive director of the Company since May 27, 2016 and was appointed as the Non-Executive Chairman of the Company on November 9, 2017. He is a chartered accountant with over 27 years of experience with corporate restructuring and advisory work. He is currently the managing director of Borrelli Walsh Limited, a position he held since 2006. Mr. Borrelli graduated with a bachelor degree in economics from the University of Adelaide, Australia in 1989. He is a member of the Institute of Chartered Accountants in Australia and a Fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Borrelli is an independent director of Global Invacom Group Limited, a dual-listed company on the Singapore Stock Exchange ("**SGX**") and the Alternative Investment Market of the London Stock Exchange ("**AIM**"). Mr. Borrelli was a director of ARC Capital Holdings Limited, a company listed on AIM, from February 2015 to March 2015, and Jaya Holdings Limited, a company listed on SGX, from March 2011 to June 2014, Acorn International Inc, a company listed on the New York Stock Exchange from April 16, 2015 to July 17, 2017 and PT Berlain Laju Tanker Tbk, a dual-listed company on SGX and the Indonesia Stock Exchange between March 19, 2014 and July 20, 2016.

Biographical Details of Existing Directors and Senior Mangement

Ms. Chi Lai Man Jocelyn

Ms. Chi Lai Man Jocelyn ("**Ms. Chi**"), aged 41, has been a non-executive director of the Company since May 27, 2016. She has extensive experience in various restructuring, dispute resolution and financial investigation assignments in Asia. Ms. Chi joined Borrelli Walsh Limited as a manager in 2006 and is now a director. Ms. Chi graduated with a bachelor of commerce degree in accounting and finance from Monash University, Australia in 2000, and obtained a Postgraduate Diploma in Advance Accounting from the same university in 2001. She obtained a master's degree in corporate finance from the Hong Kong Polytechnic University in 2005. Ms. Chi is a member of the Certified Practising Accountants of Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Independent Non-Executive Directors

Mr. Mar Selwyn

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

Mr. Leung Ka Tin

Mr. Leung Ka Tin ("**Mr. Leung**"), aged 64, has been appointed as an independent non-executive director of the Company since February 24, 2017. Mr. Leung holds a Diploma in Financial Management, and has 36 years of management experience in banking, treasury operation, project finance, telecommunication, corporate finance, logistics and human resource management. He was a member of the senior management team in financial institutions including FPB Asia Limited, Nedcor (Asia) Limited, BfG: Finance Asia Limited, and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung's experience covers both professional management and entrepreneurship. Mr. Leung joined SSC Mandarin Group in February 2010, a corporate financial advisory firm. During the period from February 2012 to May 2013, Mr. Leung joined Chun On Fund Management Limited and Galaxy Asset Management Limited as Project Head responsible for two gold mines in the People's Republic of China and two diamond mines in South Africa respectively. Mr. Leung was appointed as an independent non-executive director of Wealth Glory Holdings Limited (stock code: 8269) from July 23, 2014 to August 3, 2016 and Ascent International Holdings Limited (formerly known as Chanco International Group Limited) (stock code: 264) from September 21, 2015 to December 23, 2015. Mr. Leung was also the executive director of China Kingstone Mining Holdings Limited (stock code: 1380) from July 16, 2015 to December 22, 2015. Mr. Leung is currently the director of Galaxy Private Investment Management (H.K.) Limited and the chief executive officer and director of SSC Joyspring Mining (PTY) Limited which owns two diamond mines in Republic of South Africa. Besides, Mr. Leung is an independent non-executive director of KEE Holdings Company Limited (stock code: 2011) since February 17, 2016.

Biographical Details of Existing Directors and Senior Mangement

Dr. Cheung Wah Keung

Dr. Cheung Wah Keung ("**Dr. Cheung**"), aged 57, has been appointed as an independent non-executive director of the Company since March 22, 2018. Dr. Cheung holds a Bachelor Degree in Business Administration, a Master's Degree in Global Political Economy from the Chinese University of Hong Kong and a Master's Degree in Corporate Governance, a Doctoral Degree in Business Administration from the Hong Kong Polytechnic University.

Dr. Cheung is currently the chairman of Shinhint Group and Tai Sing Industrial Company Limited. He has more than 30 years of experience in trading and manufacturing of consumer electronic products. He is currently an independent non-executive director of Sky Light Holdings Limited (stock code: 3882) since 12 June 2015 and Casablanca Group Limited (stock code: 2223) since May 26, 2017. He was an independent non-executive director of China Kingstone Mining Holdings Limited (stock code: 1380) from July 2015 to December 2015. He was also an independent non-executive director and non-executive chairman of Harmonic Strait Financial Holdings Limited (currently named as Asia Investment Finance Group Limited and stock code: 33) from June 2007 to September 2016 and September 2013 to September 2016 respectively.

Dr. Cheung was awarded as "Young Industrialist of Hong Kong" in 2005 and "Certificates of Merit in Directorship" by the Hong Kong Institutes of Directors in 2006. He has taken up a variety of roles, including the president of the Hong Kong Young Industrialists Council from 2015 to 2016, the chairman of each of Departmental Advisory Committee of Marketing Department of the City University of Hong Kong and the Advisory Committee for the Master of Corporate Governance of the Hong Kong Polytechnic University. Furthermore, he is a committee member of council of the Hang Seng Management College and Enterprise Support Program of Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund).

Senior Management

Dr. Huang Gang – Joint CEO

Dr. Huang Gang ("**Dr. Huang**"), aged 55, has been appointed as a joint chief executive officer of the Company since June 22, 2018. He is also a general manager of PanAsia Aluminium (China) Limited, a wholly-owned subsidiary of the Company. Dr. Huang has more than 35 years of experience in petroleum exploration and development and corporate management. Prior to joining the Group, Dr. Huang was the chairman of Hebei Xinhua Petrochemicals Company Limited between January 2017 and March 2018, the general manager of Stability Maintenance Office of China National Petroleum Corporation between July 2017 and December 2017, the general manager and Party Secretary of PetroChina Huabei Oilfield Limited between January 2009 and July 2016 and the assistant general manager of Stability Maintenance Office of China Petroleum and Natural Gas Group Corporation between July 2007 and January 2009. Dr. Huang holds a Bachelor Degree in Engineering from Jianghan Petroleum University, a Master's Degree in Engineering and a Doctorate Degree in Engineering from China University of Geosciences (Beijing).

Directors' Report

This report is presented by the current board of directors comprising Ms. Shao Liyu, Mr. Wong Kwok Wai Eddy, Mr. Cosimo Borrelli, Ms. Chi Lai Man Jocelyn, Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung ("**Current Board**") based on the information available to them for the year ended December 31, 2017.

General Information

The Group is principally engaged in the manufacturing and trading of aluminium products. The principal activity of the Company is investment holding. Detail of the principal activities of the Company's principal subsidiaries are set out in Note 16 to the consolidated financial statements. The Company's shares were listed on the main board of the Exchange on February 5, 2013 ("**Listing Date**"). Trading in the Company's shares has been suspended since December 17, 2014.

Business Review and Performance

The business review for the Company during the Year Under Review is set out in the section of Management Discussion and Analysis of this report on pages 5 to 10.

Environmental performance

The Company is committed to building its own brand by way of sustainable development. The Company is very concerned about the environmental impact of emissions generated from operations and is committed to the implementation of environmental protection measures. With the implementation of the "Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution" by Nanyang Plant, impacts on the environment are reduced as waste water, exhaust gas and noise generated during the process of operation are put under control.

Apart from it, the Company also developed the "Control Procedures for the Disposal of Hazardous Wastes" for the control of environmental pollution resulted from disposed wastes", "Control System for Energy Saving and Emission Reduction" according to relevant laws and regulations of the PRC in respect of energy saving, and "Control Procedures for Non-compliance of Environmental Safety", which differentiates different types of environmental safety incidents, and clearly defines the management process. The Company strives to explore the business models of sustainable development, integrate environmental management and social care into its business decisions.

For details, please refer to the Environmental, Social and Governance Report 2017 which will be published at the end of July 2018.

Compliance with laws and regulations

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Company.

The Company's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself was incorporated in Cayman Islands and listed on the Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and the PRC. The Board as a whole is responsible to ensure the Company is in compliance with relevant laws and regulations that have a significant impact on the Company.

Directors' Report

During the course of the business operations, the Company shall comply with different laws and regulations, including, but not limited to, i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; and ii) the PRC national and local laws and regulations with respect to environmental protection, including the Environmental Protection Law of the PRC. For the year ended December 31, 2017, the Company was in strict compliance with these said laws and regulations.

Key relationships with stakeholders

1. Employees

Human resources are the most valuable asset of the Company. Developing and retaining talents are vital to our success. The Company is committed to providing our employees with a safe, pleasant and healthy working environment. The Company rewards and recognizes employees by competitive remuneration package and implements a key performance index performance evaluation program with appropriate incentives, and promote career development by providing opportunities for career advancement to employees. In addition, each department of the Company is responsible for determining its training needs for employees and workers in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Company for approval. Knowledge, skills and capacities of employees are vital to continuous improvement, business growth and success of the Company. The Company strives to ensure that all employees can fulfill as well as enhance the relevant job qualifications in terms of education, training, technical and work experience.

2. Suppliers

We have developed long term relationships with various vendors and we ensure that they share our value and commitment to quality, ethics and environment. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products, quality control effectiveness and environmental issues.

3. Distributors and customers

We sell our products to distributors and customers. We require our distributors and customers to comply with the relevant laws and regulations, credit policy, as well as our sales and marketing policies, including but not limited to selling price, promotional activities and use of our ordering system. We also monitor the financial condition as well as repayment capability and timeliness of our distributors and customers, and sales performance of them.

Principal risks and uncertainties

The Company is exposed to various risks and uncertainties which was also disclosed in Note 3 to the Consolidated Financial Statements of this Report. The effects of such risks may vary over time. The following paragraphs set forth material risks classified by the Company and the relevant alleviating measures for each material risk for the management of such risks.

Business Risk

Most of the Group's revenue was generated from customers in the PRC and Australia. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and Australia and the Group is unable to divert sales to other markets outside of the PRC and Australia, the turnover, profitability and prospects may be adversely affected. In order to alleviate such risk, the Group will put efforts to expand overseas market and increase the proportion of overseas sales. During the Year Under Review, we have export sales to United Kingdom and North America, etc. The Group will also continue to review competitive edges of the Group in the industry and market trend.

Directors' Report

The Company's production activities of aluminium profiles rely on, among other things, sufficient and uninterrupted supply of aluminium ingots, being our principal raw materials. The Company procures such principal raw materials from several major suppliers and has only entered into long-term purchase contracts with our some of the major suppliers of aluminium ingots which provide the Group flexibility (but not commitment) in purchasing aluminium ingots at competitive prices at various times from domestic as well as foreign suppliers. In order to alleviate such business risk, the Company will conduct review and assessment on the Company's suppliers periodically to ensure stable supply source of raw materials.

Financial risks

Delinquent payments of customers who were granted credit terms by the Company will increase the Company's exposure to financial risks and have impacts on the financial performance and operating cash flows of the Company. In order to alleviate such risk, the Company has conducted regular review of accounts receivable due from all customers to control the outstanding amounts and ageing. The Company will also continue to manage and maintain strict control internally and devote additional efforts in collecting overdue trade receivables on a timely basis.

Cyber security risk

During the Year under Review, the Company obtained the foundation for implementing phase-by-phase cyber risk vulnerability controls management and evaluation objectives with reference to CoBit by ISACA. The cyber security plan includes, but not limited to, enhancing the following: 1) training and staff development; 2) secure wireless networks; 3) keep software updated; 4) access control management; 5) boundary defense; and (6) backup and recovery of data. Report of the evaluation and implementation of such information security plans, policies and processes are discussed quarterly, and modified as appropriate, by the Audit Committee.

The Company has internal control on data-fraud. The Company always values the importance of the internal control systems, and has been taking into account certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by Internal Audit in their audit planning and objectives when assessing the effectiveness of internal controls. Such systems are designed to manage rather than eliminate the risk of fraud or failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Environmental and social risks

The environmental and social risks encountered by the Group include, amongst others, those arising from whether safety and environmental protection standards are met by the production of our products, management of human resources, sales, supply chains and information system, insufficient innovation, inspection and verification of technologies and products. In view of the above risks, the Group has focused on the control and monitoring of dust, high temperature and chemical hazard, discharged sewage according to the total amount and concentration allowed under the pollutant discharge license, formulated the status-quo assessment on energy conservation and emission reduction as well as medium and long term planning, timely updated the staff handbook and implemented applicable labor laws and regulations, introduced advanced technologies and talents, solved the innovation problems through technological exchange and cooperation. Meanwhile, the Group strives to inspect regularly and maintain the facilities of the information system and provide staff training.

Legal risks

The legal risks encountered by the Group include, amongst others, those arising from the physical or existing default operations, legal disputes, default behaviors, intellectual property and human rights protection. In view of the above risks, the Group has implemented the measures such as the contracts review and approval procedure with the routine support of our general legal advisor and regular third-party audit to monitor compliance so as to mitigate the impact of such risks on the Group.

Directors' Report

Results and Distribution

No interim dividend was declared for the six months ended June 30, 2017 (six months ended June 30, 2016 and twelve months ended September 30, 2016: Nil) and the Current Board does not recommend payment of a final dividend in respect of the Year Under Review (fifteen months ended December 31, 2016: Nil).

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

The results of the Group for the Year Under Review are set out in the consolidated statement of comprehensive income on pages 48 to 49.

Financial Statements

The statements of the results, assets and liabilities of the Group for the last five financial years/period are set out on page 124 of this report. This summary does not form part of the audited consolidated financial statements to the Group.

Reserves

Movements in the reserves of the Group during the Year Under Review are set out on page 52.

Distributable Reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's articles of association ("**Articles of Association**"). With the sanction of an ordinary resolution, dividends may be declared and paid out of share premium account of any other fund or account which can be authorized for this purpose. As at December 31, 2017, the Company had distributable reserves of approximately HK$51 million (December 31, 2016: approximately HK$168 million).

Share Capital

Changes in share capital of the Company for the Year Under Review and as at that date are set out in Note 22 to the consolidated financial statements.

Pre-emptive Rights

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

Share Option Scheme

On January 18, 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme is 120,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the global offering ("**Global Offering**", as defined in the prospectus dated January 23, 2013 ("**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

Directors' Report

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 Year 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 Year Under Review, details of which are set out in Note 23 to the consolidated financial statement.

Major Suppliers and Customers

During the Year Under Review, aggregate sales attributable to the Group's five largest customers comprised approximately 52% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 39% of the Group's total sales. The aggregate purchases during the Year Under Review attributable to the Group's five largest suppliers were approximately 41% of the Group's cost of sales and the purchases attributable to the Group's largest supplier were approximately 17% of the Group's cost of sales.

Directors' Report

Based on the confirmations received from certain Directors who were in their positions during the Year Under Review and to the best knowledge of the Company, none of the Directors, nor any of their associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the five largest customers and suppliers of the Group.

Property, Plant and Equipment

During the Year Under Review, the Group held property, plant and equipment of approximately HK$1,063 million. Details of the movements are set out in Note 14 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Shares

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

Equity-linked agreements

Other than the share option scheme of the Company as set out under the subheading "**Share Option Scheme**", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisting during the Year Under Review.

Directors

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

Executive Directors

Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady and chief executive officer ("CEO"))
(ceased as Chairlady on November 9, 2017)
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. 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. 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)

Directors' Report

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)

Nomination Committee

Mr. Leung Ka Tin (Chairman) (appointed as member on February 24, 2017 and Chairman on November 22, 2017)
Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady) (ceased as Chairlady but remains as member on November 22, 2017)
Mr. Mar Selwyn (appointed on February 8, 2017)
Mr. Chan Kai Nang (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)

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

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

Directors' Service Contracts

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

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

Ms. Shao Liyu and Mr. Wong Kwok Wai Eddy have each entered into a service contract with the Company for a term of 3 years with effect from February 1, 2016 and March 2, 2018 respectively.

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

Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung have each entered into a letter of appointment with the Company for a term of one year with effect from February 8, 2018, February 24, 2018 and March 22, 2018 respectively.

During the Year Under Review, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Permitted Indemnity Provision

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

Directors' Report

Directors' Interests in Transactions, Arrangements and Contracts of Significance

To the best knowledge of the Company and with the information available to the Company, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, and subsisted at the end of the Year Under Review or at any time during the Year Under Review save as disclosed under the paragraph headed "Significant Investment, Material Acquisition and Disposal" in the section headed "Management Discussion and Analysis" in this annual report.

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 Year Under Review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Management Contracts

On November 4, 2016, the Group appointed Borrelli Walsh Limited ("**Borrelli Walsh**") to provide interim professional services for a fee of HK$840,000 (the "**First Contract**") and to prepare the Company's 2017 budget and associated cash flow forecasts for a fee of HK$750,000 (the "**Second Contract**"). The First Contract is subject to monthly renewal without a fixed term but can be terminated by the Company or Borrelli Walsh in writing and the Second Contract has expired. As at December 31, 2017, the First Contract was still valid.

During the Year Under Review, Borrelli Walsh agreed to extend the services as set out in the Second Contract for a further four months until August 31, 2017 for a fee of HK$470,000 ("**Third Contract**").

Mr. Cosimo Borreli, the non-executive Director and non-executive chairman of the Company and Ms. Chi Lai Man Jocelyn, the non-executive Director, are interested in the First Contract and the Second Contract to the extent that Mr. Cosimo Borrelli is a managing director and shareholder interested in over 25% of the shares of Borrelli Walsh; and Ms. Chi Lai Man Jocelyn is a director and shareholder interested in less than 10% of the shares of Borrelli Walsh. Both of them have abstained from voting in respect of the relevant Board resolutions to approve the First Contract, the Second Contract and the Third Contract.

To the best knowledge of the Company and with the information available to the Company, saved as disclosed above, no contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year Under Review.

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

As at December 31, 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:

Directors' Report

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.

Substantial Shareholders' Interests and Short Positions

As at December 31, 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 *(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.

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.

Corporate Governance

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

Disclosure under Rule 13.20 of the Listing Rules

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

Directors' Report

Directors' Interests in Competing Business

To the best knowledge of the Company, it was not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during Year Under Review.

Connected Transactions

During the year ended 31 December 2017, the Group entered into the following connected transaction and continuing connected transactions which are subject to the reporting, announcement, circular and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

Connected transaction – Sale and Purchase Agreement

On December 28, 2017, the Company (through PanAsia Aluminum (Hong Kong) Limited and PanAsia Trading Limited, the wholly-owned subsidiaries of the Company) as the vendors ("**Vendors**"), Lumy House Limited and Lumy Houseware (Shanghai) Company Limited as the purchasers ("**Purchasers**"), which are companies indirectly and beneficially wholly-owned by Ms. Shao, the current executive director and joint chief executive officer of the Company, and Ms Shao entered into the sale and purchase agreement ("**Agreement**"), pursuant to which the Vendors conditionally agreed to sell and the Purchasers conditionally agreed to purchase the entire issued shares of OPNY and OPAD. The Vendors shall also procure the accounts receivable owed by OPNY to the Group in the aggregate amount of approximately RMB108.7 million to be transferred or assigned to the Purchasers, all at an aggregate consideration of RMB20 million ("**Disposal**").

Pursuant to the Agreement, the Vendors shall procure PanAsia Aluminium (China) Co., Ltd. ("**PACL**") to repay to OPNY RMB10 million for the bank loan in the principal amount of RMB10,000,000 as soon as practicable. The bank loan was secured by pledging of certain assets of PACL and was further extended by OPNY to PACL, an affiliate of the Vendors. Upon receiving payment from PACL, the Purchasers and Ms Shao shall procure OPNY to immediately repay the bank loan and discharge the pledge for the bank loan as soon as possible.

Pursuant to the Agreement, Ms Shao agreed to warrant the Purchasers' warranties as set out in the Agreement.

Upon completion of the Disposal, the Group will cease to have any interest in the OPLV Group 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.

The Board is of the view that the Disposal offers an opportunity for the Group to dispose of its loss-making doors and windows business which has suffered deteriorating results with high level of borrowings and limited growth. Given the weak financial performance and net current liabilities position of the OPLV Group, the Board is concerned that if the business and financial positions of the OPLV Group continue to deteriorate, it will further increase the financial burden of the Group and limit the Group's ability to develop and expand the remaining business. In addition, given the previous unsatisfactory financial performance condition of the OPLV Group and the uncertain business outlook of the doors and windows business, the Directors estimate that it is highly improbable that the accounts receivable owned by OPNY to the Group in the aggregate amount of approximately RMB108.7 million can be recovered in the foreseeable future. The Board is of the view the Disposal will enable the Group to reallocate the financial resources for and direct its focus on the business of the remaining Group.

Following the Disposal, the Group will cease to be engaged in the manufacturing of branded OPLV doors and windows products and will focus on its remaining core business, namely the manufacturing of electronic products and construction and industrial products.

Directors' Report

The Board (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) is of the view that the Disposal is fair and reasonable and on normal commercial terms and entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

On May 14, 2018, the parties to the Agreement agreed to extend the long stop date to October 28, 2018 since additional time is required to prepare and finalise the circular to the Shareholders. As at the date of this report, this transaction has yet to be completed.

Details of the above transactions are set out in the announcements of the Company dated December 28, 2017, January 19, 2018, March 29, 2018 and May 14, 2018.

Continuing Connected Transaction – Management Service Agreement

On December 28, 2017, the Company, the Purchasers, OPNY and OPAD entered into the management service agreement ("**Management Service Agreement**"), pursuant to which the Company shall provide administrative and management support to the Purchasers and their subsidiaries/affiliates for one (1) year at a fee of HK$200,000 per month.

The Management Service Agreement shall commence from the date of completion of the Agreement and continue to have effect for one (1) year unless terminated early in accordance with the terms of the Management Service Agreement.

By entering into the Management Service Agreement, the Company can leverage the relevant professional experience and strengths of the employees in the Group in the aluminium industry and gain a stable source of income and this will also allow the Group to be more cost-effective in sharing the overhead expenses, such as office rental, general and administrative expenses incurred by the Group.

The Board (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) is of the view that the transactions contemplated under the Management Service Agreement are fair and reasonable and on normal commercial terms and entering into the Management Service Agreement is in the interests of the Company and the Shareholders as a whole.

Details of the above transactions are set out in the announcements of the Company dated December 28, 2017, January 19, 2018, March 29, 2018 and May 14, 2018.

Continuing Connected Transaction – the Framework Agreement

On December 28, 2017, the Company and Lumy House Limited, which is one of the Purchasers, entered into a framework agreement ("**Framework Agreement**"), pursuant to which Lumy House Limited shall engage the Company and/or its subsidiaries as the manufacturer and supplier for the business of OPNY and OPAD and its subsidiaries.

The Framework Agreement shall commence on the date on which completion of the transactions under the Agreement and shall continue to have effect for a period of three (3) years.

The Board is of the view that the entering into of the Framework Agreement will be beneficial to the Group as (a) it will enable the Group to continue to utilize its existing production capacity and avoid idle production capacity; (b) will provide the Group with a stable source of revenue and profit to the Group; and (c) the Group will be able to maintain a consistent purchase volume with its suppliers, therefore, strengthen its bargaining power and maintaining its relationship with the suppliers of the Group.

Directors' Report

The Board (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) is of the view that the transactions contemplated under the Framework Agreement are fair and reasonable and on normal commercial terms and entering into the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

Details of the above transactions are set out in the announcements of the Company dated December 28, 2017, January 19, 2018, March 29, 2018 and May 14, 2018.

Given the continuing connected transactions will only become effective upon completion of the Agreement and have not been commenced, the auditors were not able to confirm whether anything has come to their attention that has caused them to believe that the continuing connected transactions: (1) have not been approved by the Board; (2) were not in accordance with the pricing policies of the Company; (3) were not entered into in accordance with the relevant agreement governing the transactions; and (4) exceed the annual caps, pursuant to Rule 14A.56 of the Listing Rules.

Save as disclosed above, the Group did not entered into any transactions constituted connected transactions (including continuing connected transactions) which are subject to the disclosure requirements under Chapter 14A of the Listing Rules during the Year Under Review.

Related Party Transactions

The related party transactions of the Group are disclosed in Note 30(i) to the consolidated financial statements, of which the transactions with Guangzhou Rongjin Curtain Wall Co., Ltd. were continuing connected transactions under Chapter 14A of the Listing Rules. These transactions fell within de-minimis exemption under 14A.76 of the Listing Rules and were exempted from the annual review, disclosure and shareholders' approval requirements.

Employee and Remuneration Policies

As of December 31, 2017, the Group had an aggregate of approximately 3,800 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale. The Group also operated the mandatory provident fund scheme for its Hong Kong staff and participates in the employee social security plan as required by the regulations in the PRC.

Directors' Report

Taxation

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

Litigation

(i) Winding up petitions against two Australia customers, namely Australia Customer A and Australia Customer B

On July 20, 2015, the Group filed a claim with a court in Australia and issued winding up petitions against Australia Customer A and Australia Customer B, both were customers of the Group during the year ended September 30, 2014. Australia Customer A and Australia Customer B entered into voluntary administration on August 10, 2015. Australia Customer B was agreed to be wound up while the winding up hearing in respect of Australia Customer A was adjourned to allow for the voluntary administration of Australia Customer A to proceed. The liquidation process was on going during the Year Under Review and the Group had recovered significant receivables during the Year under Review. Details in relation to the write-down are set out in Note 19 to the consolidated financial statements of this annual report.

(ii) Litigation with an aluminium ingot supplier ("Supplier A")

In May 2015, a claim was lodged by the Group against Supplier A through legal proceedings in the PRC to recover the outstanding balances paid to Supplier A since the Group had not received all its purchases of aluminium ingots from the Supplier A. On December 29, 2016, the claim was ruled in favor of the Group. Subsequently, the Group entered into a settlement arrangement with Supplier A whereby Supplier A (or Supplier A's shareholder) to pay HK$6,866,000 and dispose of the 8,885,000 shares in the Company held by Supplier A's shareholder to the Company or designated person as instructed by the Company. HK$6,866,000 (using the then exchange rate) was received by the Group from Supplier A's shareholder in August 2017. However, management of the Company ("**Management**") considered it is impracticable that the 8,885,000 shares in the Company held by Supplier A's shareholder to be disposed of in view of the suspension of trading of shares of the Company and therefore it is impossible to estimate the fair value of those shares to be disposed of at this stage. The Group has made all necessary impairment provision in the years ended September 30, 2014 and 2015 and thus made no impairment provision for the undelivered aluminium ingots in-transit afterwards.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

Subsequent 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. 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)
- Ms. Shao Liyn (re-designed from CEO to Joint CEO on June 22, 2018)
- Dr. Huang Gang (appointed a Joint CEO on June 22, 2018)

Directors' Report

(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.

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.

Directors' Report

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.

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 audited consolidated financial statements for the Year Under Review and has recommended their adoption to the Board.

Auditors

The consolidated financial statements for the year ended September 30, 2015 were audited by PricewaterhouseCoopers.

On 24 January 2018 at the conclusion of the adjourned annual general meeting of the Company, the term of office of PricewaterhouseCoopers expired and BDO Limited was appointed as the new auditor of the Company. BDO Limited will hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the fifteen months ended December 31, 2016 and for the Year Under Review have been audited by BDO Limited.

By order of the Board
Cosimo Borrelli
Non-Executive Chairman

Hong Kong, July 3, 2018

Corporate Governance Report

Change in the Management of the Company

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

Compositions

Directors during the Year Under Review:

Executive Directors

Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady and CEO) (ceased as Chairlady on November 9, 2017)
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. 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. 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)

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

Changes subsequent to the Year ended December 31, 2017

- Ms. Shao Liyu (redesignated 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. Chan Kai Lun Allan (resigned as an executive Director on May 11, 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)

Accordingly, the Current Board as of the date of this report comprises seven members: Ms. Shao Liyu, Mr. Wong Kwok Wai Eddy, Mr. Cosimo Borrelli, Ms. Chi Lai Man Jocelyn, Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung.

Corporate Governance Report

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 Year Under Review, and as announced on December 19, 2014, the Company has, upon the recommendation of the then auditor, resolved to appoint the 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 and annual results of the Company for the Year 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.

Corporate Governance Report

The Board of Directors

Responsibilities

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

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

Independence Confirmation

The Company has received annual confirmations from each of the independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules, and considered all the independent non-executive Directors to be independent.

Appointment and Re-election of Directors

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment.

Directors' Training

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

The individual training record of each Directors who confirmed they had received trainings for the Year Under Review is summarized as follows:

Directors	**Type of continuous professional development programmes**
Executive Directors	
Ms. Shao Liyu (formerly known as Ms. Shao Lidan)	A and B
Mr. Zhu Hongtao	A and B
Mr. Chan Kai Lun Allan	A and B
Mr. Ma Yu Yan	B
Non-executive Director	
Mr. Cosimo Borrelli	A and B
Ms. Chi Lai Man Jocelyn	A and B
Independent non-executive Director	
Mr. Mar Selwyn	A and B
Mr. Chan Kai Nang	A and B
Mr. Leung Ka Tin	A and B
Mr. Choi Tze Kit Sammy	A and B
Mr. Lam Kwok Fai Osmond	A and B
Mr. Tang Warren Louis	A and B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

Corporate Governance Report

Directors' Securities Transaction
The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Year Under Review.

Relationship with Directors
During the Year Under Review and up to the date of this report, Mr. Cosimo Borrelli is a managing director and shareholder interested in over 25% of the shares of Borrelli Walsh; and Ms. Chi Lai Man Jocelyn is a director and shareholder interested in less than 10% of the shares of Borrelli Walsh.

Mr. Cosimo Borrelli and Ms. Chi Lai Man Jocelyn are also authorized representatives of the directors of Easy Star Holdings Limited, which is interested in 75% of the issued shares of the Company as at the date hereof. Easy Star Holdings Limited is wholly-owned by Marina Star Limited, which is in turn wholly-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, the former spouse of Ms. Shao Liyu, the current executive Director and the joint chief executive officer of the Company, as settlor and one of the beneficiaries include Ms. Shao Liyu.

Term of Appointment of the Non-Executive Director and Independent Non-Executive Directors
During the Year Under Review, the non-executive Directors and independent non-executive Directors were appointed for a term of 3 years and 1 year respectively and subject to retirement by rotation and re-election in accordance with the Articles of Association.

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

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

Nomination Committee
During the Year Under Review, the majority members of the Nomination Committee were independent non-executive Directors, with Mr. Leung Ka Tin acted as the Chairman of the Nomination Committee with effect from November 22, 2017 in place of Ms. Shao Liyu (formerly known as Ms. Shao Lidan) who resigned as the chairlady but remains as a member of the Nomination Committee with effect from November 22, 2017. The members of the Nomination Committee for the Year Under Review were:

Mr. Leung Ka Tin (Chairman) (appointed as member on February 24, 2017 and Chairman on November 22, 2017)
Ms. Shao Liyu (formerly known as Ms. Shao Lidan) (Chairlady) (ceased as Chairlady but remains as member on November 22, 2017)
Mr. Mar Selwyn (appointed on February 8, 2017)
Mr. Chan Kai Nang (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)

Corporate Governance Report

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

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

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

During the Year Under Review, the Nomination Committee held 2 meetings for nominating or considering the candidacies of potential board members and committee chairman, to make recommendations to the Board on the re-election of Directors at the general meeting, on the board diversity policy and the formulation of a succession plan; to review the structure, size, composition and diversity of the Board members, to assess the independence of the independent non-executive Directors and the individual attendance record of the Directors at the meeting of Nomination Committee is set out in the paragraph headed "**Attendance Records of Board and Committee Meetings**" of this Corporate Governance Report.

Remuneration Committee

During the Year Under Review, the majority of members of the Remuneration Committee were independent non-executive Directors, with Mr. Chan Kai Nang acted as the chairman of the Remuneration Committee with effect from March 21, 2017 in place of Mr. Lam Kwok Fai Osmond (resigned on March 21, 2017). The members of the Remuneration Committee were:

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)

Corporate Governance Report

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

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and senior management members of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

During the Year Under Review, the Remuneration Committee held 3 meetings for reviewing (i) the remuneration package for Directors, (ii) the policy and structure of the remuneration packages for Directors and (iii) amendment of its terms of reference. The individual attendance record of the Directors at the meeting of Remuneration Committee is set out in the paragraph headed "**Attendance Records of Board and Committee Meetings**" of this Corporate Governance Report.

Audit Committee

During the Year Under Review, the Audit Committee comprised all independent non-executive Directors, with Mr. Mar Selwyn acted as the chairman of the Audit Committee with effect from February 11, 2017 in place of Mr. Choi Tze Kit Sammy (resigned on February 11, 2017). The members of Audit Committee during the Year Under Review were:

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

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

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

Corporate Governance Report

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgments contained in them;
- to review the Company's financial controls, internal control and risk management systems annually;
- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- to review the Group's financial and accounting policies and practices; and
- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

During the Year Under Review, the Audit Committee held eleven meetings for considering and reviewing the internal control procedures, internal audit, whistle blowing policy, code of conduct, mechanism for disclosure and monitor of inside information, risk management, cash flow, taxation, compliance testing, connected transaction, financial results, accounting policies and related matters, adequacy of staff experience, qualifications, resources of the company's accounting and financial reporting departments, training programs and budget, appointment and re-appointment of auditor, and outstanding issues raised by the auditor. The individual attendance record of the Directors at the meeting of Audit Committee is set out in the paragraph headed **"Attendance Records of Board and Committee Meetings"** of this Corporate Governance Report.

As disclosed in sub-section headed "Financial Reporting" above, the review of the financial results for the six months ended June 30, 2017 and the financial results for the year ended December 31, 2017 by the Current Audit Committee was deferred until June 25, 2018 at Audit Committee meeting.

Corporate governance functions

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

Corporate Governance Report

Attendance Records of Board and Committee Meetings

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

	Attendance/Number of Meetings				
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	General Meetings
Executive Directors					
Ms. Shao Liyu	13/13	2/2	3/3	N/A	0/0
Mr. Zhu Hongtao	13/13	N/A	N/A	N/A	0/0
Mr. Chan Kai Lun Allan (appointed on March 27, 2017)	10/10	N/A	N/A	N/A	0/0
Mr. Ma Yu Yan (ceased on May 9, 2017)	0/4	N/A	N/A	N/A	0/0
Non-Executive Directors					
Mr. Cosimo Borrelli	12/13	N/A	N/A	N/A	0/0
Ms. Chi Lai Man Jocelyn	13/13	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. Mar Selwyn (appointed on February 8, 2017)	10/12	2/2	3/3	10/10	0/0
Mr. Chan Kai Nang (appointed on February 24, 2017)	11/11	2/2	3/3	10/10	0/0
Mr. Leung Ka Tin (appointed on February 24, 2017)	11/11	2/2	3/3	8/10	0/0
Mr. Choi Tze Kit Sammy (ceased on February 11, 2017)	0/1	0/0	0/0	1/1	0/0
Mr. Lam Kwok Fai Osmond (ceased on March 21, 2017)	1/2	0/0	0/0	1/2	0/0
Mr. Tang Warren Louis (ceased on March 21, 2017)	1/2	0/0	0/0	1/2	0/0

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

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for the Year Under Review which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects of the financial statements of the Group.

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 40 to 47 of this report.

Corporate Governance Report

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems for reviewing their effectiveness. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company has established Audit Committee and Internal Audit Department to perform internal audit functions conduct and analysis and independent assessments on the adequacy and effectiveness of the risk management and internal control systems of the Company. The Company is committed to implementing stricter and more regulated internal control procedures in the new financial year.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resources, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle significant risks associated with the business of the Group including strategic risk, financial risk, business risk, environmental and social risk, and legal risk. The Board would perform annual review on significant change of the business environment and establish procedures to response to the risks resulted from significant changes of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associated with the business of the Group by considering both internal and external factors and events which include political, economic, technological, environmental, social and staff. Each of the risks has been assessed and prioritized based on their relevant impacts and occurrence opportunities. The relevant risk management strategy would be applied to each type of risk according to the assessment results. Types of risk management strategy are: (i) risk reduction; (ii) risk avoidance; (iii) risk diversification; and (iv) risk transfer.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimize the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the Year under Review, the Board has appointed Crowe Horwath (HK) Corporate Consultancy Limited as an independent internal control adviser (the "**Internal Control Adviser**") to conduct a review of the effectiveness of the system of internal control of the Group (the "**Internal Control Review**"). The internal control review has covered all material controls, including financial, operational and compliance controls and risk management functions and some recommendations were provided in the internal control review report. The Company, with assistance of the internal control adviser, has revised its internal policies and procedures including but not limited to, certain internal control measures of the Company, of which have been adopted and implemented with effect from July 20, 2017.

During the Internal Control Review, the Internal Control Adviser has identified a number of internal control deficiencies in the Group. The management of the Group has reviewed these findings, and taken the action necessary to address these internal control deficiencies in accordance with the recommendations of the Internal Control Adviser.

The Board considered that, for the year ended December 31, 2017, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

Corporate Governance Report

Company Secretary

During the Year Under Review, Ms. Kwok Ka Huen ("**Ms. Kwok**"), delegated by an external service provider, was appointed as the Company Secretary on November 10, 2017 in place of Ms. Chan Sau Yee (resigned on November 10, 2017). Both Ms. Kwok and Ms. Chan Sau Yee have confirmed that they have taken not less than 15 hours of appropriate professional training as required under Rule 3.29 of the Listing Rules. Ms. Kwok's primary corporate contact is Ms. Shao Liyu, the executive Director and Joint CEO.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the consolidated financial statements is set out in the "**Independent Auditor's Report**" on pages 40 to 47.

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

Type of Services	Fees Paid/ Payable (HK$'000)
Year end audit services	
– Audit of annual financial statements	4,700
Non-Audit Services	
– Tax advisory	–
– Others	–
Total	4,700

Shareholders' Rights

Convening an extraordinary general meeting by Shareholders

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

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

Corporate Governance Report

Investors Relations

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

Communication with Shareholders and Making Enquiry to the Board

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

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

The Company will hold an annual general meeting to approve the financial results for the Year Under Review as soon as practicable within 2018. The notice of annual general meeting will be sent to Shareholders at least 20 clear business days before the annual general meeting.

Independent Auditor's Report

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Qualified Opinion

We have audited the consolidated financial statements of PanAsialum Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 123, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(1) Prepayments to a supplier

As set out in Note 2.1.3(A) to the consolidated financial statements, the Group recognised an impairment provision of RMB25,999,000 (equivalent to HK$33,014,000) against the prepayments made to Supplier A as at September 30, 2014. During the year ended September 30, 2015, the Group continued to make prepayments to Supplier A totalling RMB12,696,000 (equivalent to HK$16,043,000) for the purchase of aluminium ingots; however no aluminium ingots were subsquently delivered to the Group by Supplier A in relation to the prepayments made during the year ended September 30, 2015 and therefore the Group recognised an impairment provision of RMB38,695,000 (equivalent to HK$49,057,000) against the prepayments made to Supplier A as at September 30, 2015. No further prepayments and no adjustments to impairment provision brought forward from September 30, 2015 were made for the period ended December 31, 2016. The prepayments to Supplier A after impairment provision, amounted to RMB5,430,000 as at December 31, 2016 (equivalent to December 31, 2016: HK$6,094,000) were subsequently recovered during the current year through the final settlement as a result of the legal proceedings against Supplier A as described in Note 2.1.3(A), and the gross prepayments and the related impairment provision have been derecognised during the year.

Due to inability to obtain sufficient appropriate audit evidence regarding the gross prepayments in the amount of HK$55,151,000 made to Supplier A as at December 31, 2016, and the related accumulated impairment provision amounted to HK$49,057,000 as at December 31, 2016 and any recognition of impairment provision for the comparative reporting period from October 1, 2015 to December 31, 2016 (the "Comparative Period"), the audit opinion on the consolidated financial statements for the Comparative Period was modified regarding the gross prepayments made to Supplier A and the related accumulated impairment provision as at December 31, 2016 which were included in "Prepayments, deposits and other receivables" as detailed in Note 19 to the consolidated financial statements, and any recognition of impairment provision for the Comparative Period. Any adjustments to impairment provision as at December 31, 2016 would have a consequential impact on the Group's financial performance for the year. Our opinion on the current year consolidated financial statements is modified because of this possible effect on the Group's financial performance for the year and the comparability of the Group's financial position as at December 31, 2016 and 2017 and the Group's financial performance for the Comparative Period and the year then ended.

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

(2) Receivables from, and possible relationship with, certain customers

An investigation was performed by an independent professional advisor and was completed in August 2017 (the "Investigation"). The Investigation and other documents revealed the findings regarding the transactions, amounts, and possible relationships between the Group and certain customers. A customer in Australia together with its subsidiaries and affiliates (collectively the "Australia Customers") was one of the Group's largest customers in prior years. Due to a group restructuring of the Australia Customers, two new companies were incorporated in Australia in April 2014 ("Australia Customer A" and "Australia Customer B"). In May 2014, Australia Customer A agreed to assume, from the Australia Customers, the payment obligations of the trade payables to the Group totalling HK$319,503,000. Since May 2014, Australia Customer B had begun to act as an import agent for Australia Customer A.

Meanwhile, the Group started recording sales to another new customer ("Customer C") during the year ended September 30, 2014.

As set out in Note 2.1.3(B) to the consolidated financial statements, the Investigation revealed possible connections between certain relatives of the former chairman of the Company with Australia Customer A and Australia Customer B. There were also possible connections between some of the Australia Customers and Supplier A. In addition, there was evidence indicating that certain goods sold to Customer C were resold to Australia Customer B.

Furthermore, Australia Customer A and Australia Customer B delayed in settlement and the outstanding trade receivables from them became long overdue as at September 30, 2014. Customer C had delayed its settlement for which the Group had continuously demanded for settlement but in vain. After taking into account the subsequent collections and balances recovered from the relevant legal actions as set out in Note 2.1.3(B) to the consolidated financial statements, total outstanding trade receivables of HK$100,102,000 from Australia Customer A, Australia Customer B, and Customer C were written down during the year ended September 30, 2014.

During the year ended September 30, 2015, while there were no recorded sales to Australia Customer A, the Group continued to record sales to Australia Customer B and Customer C of HK$241,902,000 and HK$36,352,000, respectively. The trade receivable balances (before the write-down in the year ended September 30, 2015) outstanding from Australia Customer B and Customer C were HK$225,398,000 and HK$32,797,000, respectively as at September 30, 2015.

Furthermore, Australia Customer B delayed in settlement and the outstanding trade receivables from it became long overdue as at September 30, 2015. Customer C had delayed its settlement for which the Group had continuously demanded for settlement but in vain. After taking into account the subsequent collections and balances recovered from the relevant legal actions as set out in Note 2.1.3(B) to the consolidated financial statements, total trade receivables from Australia Customer B and Customer C of HK$137,806,000 and HK$36,352,000, respectively, in relation to the sales executed during the year ended September 30, 2015, had been written down in the same year.

During the Comparative Period, no further sales to Australia Customer A, Australia Customer B and Customer C were recorded by the Group. After taking into account the subsequent collections and balances recovered from the relevant legal actions as set out in Note 2.1.3(B) to the consolidated financial statements, total trade receivables from Australia Customer A and Australia Customer B of HK$2,822,000 had been written down in the Comparative Period.

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

(2) Receivables from, and possible relationship with, certain customers *(Continued)*

During the year, no further sales to Australia Customer A, Australia Customer B and Customer C were recorded by the Group. The net trade receivables from Australia Customer A and Australia Customer B, after write-down, of HK$12,326,000 were recovered during the current year and subsequent thereto through the final settlements as a result of legal proceedings against Australia Customer A and Australia Customer B as described in Note 2.1.3(B). During the year, there was no further write-down or reversal of write-down recognised.

Management was not able to provide us with sufficient information and explanations about the background of Australia Customer A and Australia Customer B as well as their relationship with the Australia Customers, and the business rationale to accept the assignment of trade receivables of HK$319,503,000 from the Australia Customers to Australia Customer A (which was newly incorporated in April 2014). Notwithstanding our requests to management, we were also unable to obtain satisfactory explanations and adequate evidence from management to ascertain the relationship, if any, between the Group and Australia Customer A and Australia Customer B, and between Customer C and Australia Customer B and/or Australia Customer A (and therefore the relationship of Customer C, if any, with the Group), nor were we able to interview the relevant counterparties identified in the Investigation. We were also unable to obtain satisfactory confirmation replies from Australia Customer A, Australia Customer B and Customer C to confirm the trade receivable balances with them in our audit of the Group's consolidated financial statements for the period ended December 31, 2016 and year ended December 31, 2017.

Management was also not able to provide us with adequate evidence to support the rationale of recognising the write-down of trade receivables from Australia Customer A and Australia Customer B during the Comparative Period and as at December 31, 2016, and to support the impairment assessment of the outstanding trade receivables from Customer C as at December 31, 2016 and 2017.

Because of the above scope limitations, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to:

(i) whether the Group had any related party relationships with the Australia Customers, Australia Customer A, Australia Customer B and Customer C, and thus the accuracy and completeness of the disclosures of related party balances and transactions in the Group's consolidated financial statements for the year ended December 31, 2017; and

(ii) whether the carrying amount of trade receivables from Customer C of HK$Nil as at December 31, 2017 was fairly stated; and whether the write-down of the trade receivables from Australia Customer A, Australia Customer B and Customer C were recognised in the proper accounting periods.

Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

(2) Receivables from, and possible relationship with, certain customers *(Continued)*

Audit opinion on the consolidated financial statements for the Comparative Period was modified on the same basis as mentioned above regarding (a) whether the Group had any related party relationships with the Australia Customers, Australia Customer A, Australia Customer B and Customer C, and thus the accuracy and completeness of the disclosures of related party balances and transactions; and (b) whether total write-down amounts of trade receivables from Australia Customer A, Australia Customer B and Customer C recognised up to December 31, 2016 of HK$277,082,000 were fairly stated, which were included in "Trade and bills receivables" as detailed in Note 19 to the consolidated financial statements and whether the write-down recognised in the Comparative Period was appropriately determined. Any adjustments to the trade receivables and any write-down to be recognised or reversed as at December 31, 2016 and 2017 would have a consequential impact on the Group's net assets as at December 31, 2016 and 2017, and the Group's financial performance for the year.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of the above matters on the comparability of the Group's financial performance for the Comparative Period and the year.

(3) Investment in and advances to an associated company

As set out in Note 2.1.3(C) to the consolidated financial statements, the Group had in August 2014 invested an amount of HK$17,524,000 to acquire a 45% equity interest in Leading Sense Limited ("Leading Sense"), which was accounted for as an associated company of the Group. As at September 30, 2015, the Group recorded an outstanding advance of HK$44,841,000 (before write-down) to Leading Sense and its subsidiaries (the "Leading Sense Group").

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

Management was not able to obtain the financial information of the Leading Sense Group as no financial information was prepared by the Leading Sense Group, nor were they able to contact the other shareholders or management of the Leading Sense Group since January 2015. Based on management's impairment assessment, the Group had fully written down its remaining carrying value of investment in an associated company of HK$5,893,000 and amounts due from an associated company of HK$44,841,000 during the year ended September 30, 2015. There is no material subsequent reversal of write-down recognised.

Management was not able to provide us with the details of the background of Leading Sense's shareholders as well as the business rationale and commercial substance of the advances to the Leading Sense Group. No satisfactory confirmation reply was obtained by us from Leading Sense in relation to the outstanding advance balance. Notwithstanding our requests to management, we were also not able to obtain satisfactory explanations and adequate evidence from management to ascertain whether there are other relationships between the Leading Sense Group and the Group, nor were we able to interview with the relevant counterparties in relation to the investment in Leading Sense. Management was also unable to provide us with satisfactory explanations and adequate information to support their assessment of the carrying amounts of the investment and advances balance and the related impairment provisions as at December 31, 2016 and 2017. Notwithstanding our requests to management, we were also not able to obtain the latest financial information of the Leading Sense Group since prior years nor were we able to get access to the financial records and interview with the management of the Leading Sense Group.

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

(3) Investment in and advances to an associated company *(Continued)*

Because of the above scope limitations, we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to:

(i) the business rationale and the commercial substance of the advances to the Leading Sense Group;

(ii) the existence or occurrence and accuracy of the Group's advances to the Leading Sense Group; and

(iii) whether the investment in an associated company of HK$Nil and the share of its results of HK$Nil were fairly stated in the Group's consolidated financial statements as at December 31, 2017 and for the year.

Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

Audit opinion on the consolidated financial statements for the Comparative Period regarding the above matters (i) to (iii) was also modified on the same basis as mentioned above on the carrying value of the investment in and advances to the Leading Sense Group of HK$Nil as at December 31, 2016, which were included in "Investments accounted for using the equity method" as detailed in Note 16(b) to the consolidated financial statements. Any adjustments to the related investments and advances in relation to the Leading Sense Group as at December 31, 2016 and 2017 would have a consequential impact on the Group's net assets as at December 31, 2016 and 2017 and the Group's financial performance for the year.

Audit opinion on the consolidated financial statements for the Comparative Period regarding whether the investment in an associated company of HK$Nil and the share of its results of HK$Nil were fairly stated in the Group's consolidated financial statements as at December 31, 2016 was modified on the same basis as mentioned above. Our opinion on the current year consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the Group's financial performance for the Comparative Period and the year.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were not able to obtain sufficient appropriate evidence about prepayments to a supplier. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for Qualified Opinion" section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Transactions conducted through an entrusted personal bank account and cash transactions

The Board identified records setting out transactions taken place during the year that were conducted either through an entrusted personal bank account opened in the name of the spouse of an employee of the Group or a former executive director of the Company or in cash. These transactions were recorded in the Group's consolidated financial statements.

These transaction records indicated that there were proceeds mainly from sales of scraps, which were then mainly used for expense reimbursements to certain employees of the Group, including one of the joint chief executive officers of the Company.

The Board considered these transactions were attributable to the Group, and therefore other income and administrative expenses were recorded in the Group's consolidated statement of comprehensive income for the year; and other receivables and cash were recorded in the Group's consolidated statement of financial position as at December 31, 2017.

The above practice poses challenge to us for our audit. Therefore we consider this as a key audit matter.

Our response:

Our audit procedures included, amongst others, the following:

(1) Checking to the supporting documents including bank statements of the entrusted personal bank account directly issued by the bank, the Group's transaction records and approvals on the transactions, and delivery documents;

(2) Performing analytical procedures on the reasonableness of the scrap sales with reference to the Group's production records, market information of other companies in the industry and the average price of scraps;

(3) Conducting interviews with the owner of the respective entrusted personal bank account and related responsible personnel of the Group;

(4) Enquiring the management and performing data imaging on the Group's relevant personnel's electronic records by our own information technology specialist on completeness of personal bank account and the transactions;

(5) Obtaining respective entrust agreement and legal opinion from the Company's legal counsel on legality and enforceability of use of the entrusted personal bank account, and considering the appropriateness with the assistance of our own legal specialist; and

(6) Evaluating the competence, capabilities, objectivity, and appropriateness of the work of the Company's legal counsel.

Independent Auditor's Report

Directors' Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate Number: P05308

Hong Kong, 3 July 2018

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Notes	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Revenue	5	**1,778,683**	2,236,024
Cost of sales		**(1,546,662)**	(1,935,107)
Gross profit		**232,021**	300,917
Distribution and selling expenses		**(103,640)**	(141,680)
Administrative expenses		**(255,371)**	(339,841)
Other income	8	**19,597**	34,674
Other gains/(losses) – net	9	**11,584**	(16,761)
Operating loss		**(95,809)**	(162,691)
Finance income	10	**913**	2,940
Finance costs	10	**(46,641)**	(28,566)
Finance costs – net	10	**(45,728)**	(25,626)
Share of results of investments accounted for using the equity method	16(b)	**(8,936)**	(7,359)
Loss before income tax		**(150,473)**	(195,676)
Income tax expense	11	**(7,989)**	(38,023)
Loss for the year/period		**(158,462)**	(233,699)
Loss attributable to:			
– Owners of the Company		**(156,332)**	(232,001)
– Non-controlling interests		**(2,130)**	(1,698)
		(158,462)	(233,699)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted (HK cents per share)	12	**(13.0)**	(19.3)

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income (Continued)

For the year ended December 31, 2017

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Loss for the year/period	**(158,462)**	(233,699)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**46,812**	(85,525)
Share of other comprehensive income of investments accounted for using equity method	–	86
Total comprehensive income for the year/period	**(111,650)**	(319,138)
Attributable to:		
– Owners of the Company	**(109,567)**	(317,354)
– Non-controlling interests	**(2,083)**	(1,784)
	(111,650)	(319,138)

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2017

	Notes	December 31, 2017 HK$'000	December 31, 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**1,062,722**	853,757
Land use rights	*14*	**299,569**	270,846
Investments accounted for using the equity method	*16(b)*	**4,463**	16,107
Deposits and lease prepayments		**2,445**	3,167
Prepayments for property, plant and equipment	*19*	**82,048**	127,392
		1,451,247	1,271,269
Current assets			
Inventories	*18*	**368,256**	314,134
Trade and bills receivables	*19*	**491,346**	414,333
Prepayments, deposits and other receivables	*19*	**90,589**	106,159
Due from related companies	*20*	**16,232**	934
Due from the investments accounted for using the equity method	*20*	**21,009**	16,975
Pledged bank deposits	*21*	**7,983**	64,464
Cash and cash equivalents	*21*	**26,336**	35,209
		1,021,751	952,208
Total assets		**2,472,998**	2,223,477
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*22*	**120,000**	120,000
Reserves	*24*	**878,543**	988,110
Equity attributable to owners of the Company		**998,543**	1,108,110
Non-controlling interests		**66**	1,366
Total equity		**998,609**	1,109,476

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at December 31, 2017

	Notes	December 31, 2017 HK$'000	December 31, 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion	25	**136**	4,955
Borrowings	27	**17,980**	–
		18,116	4,955
Current liabilities			
Trade payables	26	**106,081**	153,696
Other payables and accrued charges	26	**361,229**	285,601
Due to the investments accounted for using the equity method	20	**1,703**	198
Due to a related company	20	**14,084**	–
Borrowings	27	**856,789**	559,543
Obligations under finance leases – current portion	25	**3,504**	19,073
Deferred Income		**19,814**	3,950
Current income tax liabilities		**93,069**	86,985
		1,456,273	1,109,046
Total liabilities		**1,474,389**	1,114,001
Total equity and liabilities		**2,472,998**	2,223,477

The consolidated financial statements on pages 48 to 123 were approved by the Board of Directors on July 3, 2018 and were signed on its behalf.

Shao Liyu
Director

Wong Kwok Wai Eddy
Director

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	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 year	**–**	**–**	**–**	**–**	**(156,332)**	**(2,130)**	**(158,462)**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**–**	**46,765**	**–**	**47**	**46,812**
Total comprehensive income for the year	**–**	**–**	**–**	**46,765**	**(156,332)**	**(2,083)**	**(111,650)**
Transactions with owners in their capacity as owners:							
Non-controlling interests on incorporation of subsidiary	**–**	**–**	**–**	**–**	**–**	**703**	**703**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**80**	**80**
	–	**–**	**–**	**–**	**–**	**783**	**783**
Balance at December 31, 2017	**120,000**	**1,001,287**	**(774)**	**(9,793)**	**(112,177)**	**66**	**998,609**
Balance at October 1, 2015	120,000	1,001,287	(774)	28,795	276,156	–	1,425,464
Loss for the period	–	–	–	–	(232,001)	(1,698)	(233,699)
Other comprehensive income:							
Currency translation differences	–	–	–	(85,439)	–	(86)	(85,525)
Share of other comprehensive income of investments accounted for using equity method	–	–	–	86	–	–	86
Total comprehensive income for the period	–	–	–	(85,353)	(232,001)	(1,784)	(319,138)
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
Balance at December 31, 2016	120,000	1,001,287	(774)	(56,558)	44,155	1,366	1,109,476

* The other reserves comprises foreign currency translation reserve of debit balance of HK$29,038,000 (December 31, 2016: debit balance of HK$75,803,000) and statutory reserves of HK$19,245,000 (December 31, 2016: HK$19,245,000). There was no movement in the statutory reserves during the fifteen months ended December 31, 2016 and the year ended December 31, 2017, further details of which are set out in Note 24.

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Notes	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*28(a)*	**(74,211)**	176,894
Interest paid		**(10,466)**	(6,080)
Income tax paid		**(1,905)**	(6,008)
Net cash (used in)/generated from operating activities		**(86,582)**	164,806
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress		**(259,358)**	(275,424)
Purchase of intangible assets		**–**	(21,077)
Purchase of land use rights		**–**	(4,274)
Acquisition of subsidiaries		**–**	2,178
Decrease/(increase) in deposits for property, plant and equipment		**52,188**	(48,624)
Proceeds from sale of property, plant and equipment		**18,809**	120
Decrease in fixed bank deposits		**–**	8,278
Proceeds from disposal of investments accounted for using the equity method		**479**	–
Increase in investments amounted for using the equity method		**–**	(38,923)
Increase in due from the investments accounted for using the equity method		**(1,342)**	(17,678)
Interest received		**913**	2,940
Net cash used in investing activities		**(188,311)**	(392,484)
Cash flows from financing activities			
Proceeds from borrowings		**467,457**	613,237
Repayments of borrowings		**(199,570)**	(418,870)
Payment of finance lease liabilities	*28(b)*	**(20,388)**	(22,610)
Decrease in pledged bank deposits		**58,818**	80,962
Interest paid		**(40,563)**	(26,551)
Settlement of amount due to a director		**–**	(2,663)
Net cash generated from financing activities		**265,754**	223,505
Net decrease in cash and cash equivalents		**(9,139)**	(4,173)
Cash and cash equivalents at beginning of the year/period		**35,209**	41,294
Exchange gain/(loss) on cash and cash equivalents		**266**	(1,912)
Cash and cash equivalents at end of the year/period	*21*	**26,336**	35,209

The notes on pages 54 to 123 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The Company's shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Exchange**") since February 5, 2013.

These consolidated financial statements are presented in Hong Kong Dollar ("**HK$**" or "**HKD**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on July 3, 2018.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Exchange. The consolidated financial statements have been prepared under the historical cost convention.

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

The directors of the Company (the "**Directors**") have given careful consideration to the going concern status of the Group in light of the fact that (i) the Group incurred a loss attributable to owners of the Company of approximately HK$156 million for the year ended December 31, 2017, (ii) the Group's current liabilities exceeded its current assets by approximately HK$435 million as at December 31, 2017 and (iii) the Group had cash and cash equivalents of approximately HK$26 million against the Group's total borrowings (comprising borrowings and obligations under financial leases) amounted to approximately HK$860 million, which will be due within twelve months after December 31, 2017. The Directors have evaluated the Group's current undrawn facilities and renewable borrowings and are confident that the Group is able to meet its financial obligations when they become due and payable. In order to improve liquidity, the management has been closely monitoring and managing the Group's cash position and conducts on-going negotiations with financial institutions to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary to meet the Group's working capital requirements.

The Directors have assessed the situation and taken the following measures to improve its liquidity position:

(i) as at December 31, 2017, the Group has undrawn facilities of HK$606 million (Note 27);

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(ii) the Group has been negotiating with its lenders for the renewal or extension of its current borrowings as necessary when they fall due in the forthcoming twelve months. Subsequent to December 31, 2017, HK$503 million of its current borrowings as at December 31, 2017 were successfully renewed or extended to a repayment date after December 31, 2018; and

(iii) the Group has been discussing with financial institutions with the view to convert or consolidate the Group's short term borrowings into term loans or syndicate term loans.

The Directors are of the opinion that, taking into account the successful implementation of measures of the Group as described above, the uncertainty will not have significant impact to the Group and the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1.1 Changes in accounting policy and disclosure

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

The following amended standards have been adopted by the Group for the first time for the current year's financial statements:

Amendment to HKAS 1	Disclosure initiative
Amendment to HKAS 7	Disclosure initiative
Amendment to HKAS 12	Recognition of deferred tax assets for unrealized losses
Amendment to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendment to HKAS 27	Equity method in separate financial statements
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Annual improvements project	Annual improvements 2012-2014 cycle
Annual improvements project	Annual improvements 2014-2016 cycle

Other than as explained below, the adoption of the above amended standards has had no significant financial effect on these financial statements.

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, Note 28(d).

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

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

The following new and amendments to standards, interpretations and improvements have been issued, but are not effective for the financial year beginning on January 1, 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS 40	Transfers of investment property	January 1, 2018
Amendment to HKFRS 2	Classification and measurement of share-based payment transactions	January 1, 2018
Amendment to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	January 1, 2018
HKFRS 9	Financial instruments	January 1, 2018
Amendment to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date to be determined
HKFRS 15	Revenue from contracts with customers	January 1, 2018
Amendment to HKFRS 15	Clarification to HKFRS 15	January 1, 2018
HKFRS 16	Leases	January 1, 2019
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration	January 1, 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	January 1, 2019
Annual improvements project to HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle (amendments)	January 1, 2018

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

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

The Group estimates that the adoption of the above new standards and amendments to the existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies, except the following set out below:

HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at 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.

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 recognize 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

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

HKFRS 15, 'Revenue from contracts with customers' (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: Recognize 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.

HKFRS 16, 'Leases'

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognize 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 recognize 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.

As set out in Note 29(b) to the financial statements, the total future minimum lease payments under non-cancellable operating leases of the Group as at December 31, 2017 amounted to approximately HK$41,400,000. 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 recognize 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 recognized in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Change of year end date and additional financial information

On September 30, 2016, the Board resolved to change the financial year end date of the Company from September 30 to December 31 to align it with the financial year end date of the Company's principal operating subsidiaries established in the PRC which accounts are statutorily required to be prepared with a financial year end date of December 31. Accordingly, the comparative financial period covered a fifteen-month period from October 1, 2015 to December 31, 2016 and therefore may not be comparable with figures shown for the current year.

2.1.3 Prior years investigation

In 2014, the then board of directors of the Company (the "**Former Board**") was informed by its predecessor auditor of certain findings during the course of the audit of the consolidated financial statements for the year ended September 30, 2014. As a result, the Former Board established an independent committee which had engaged an independent professional adviser to perform an investigation (the "**Investigation**") on (i) discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers; (ii) transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC; (iii) recoverability of receivables from, and possible relationship with, certain customers; and (iv) certain transactions conducted through personal bank accounts. The Investigation was completed in August 2017. Moreover, the Company also engaged a legal adviser to identify any possible relationship between the Group and an associated company.

The Investigation had a number of limitations in respect of the nature and extent of the procedures conducted. During the course of the preparation of the consolidated financial statements of the Company for the year ended December 31, 2017, the Board had taken into account the following findings of the Investigation, considered the relevant information and supporting evidence available and had used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The Board considered it appropriate to make certain accounting treatments in the Company's consolidated financial statements for the year ended December 31, 2017 in respect of the following matters which are relevant to these consolidated financial statements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Prior years investigation (Continued)

(A) Prepayments to a supplier

In the normal course of business, the Group prepays its suppliers for purchase of aluminium ingots, including prepayments made to a major supplier ("**Supplier A**"), which was one of the largest aluminium ingots vendors of the Group since August 2013. As described in section (B) below, there were possible connections between Supplier A and certain Australian customers of the Group. During the year ended September 30, 2014 and as at that date, the Group made an impairment provision of RMB25,999,000 (equivalent to HK$33,014,000) against the prepayments made to Supplier A after considering the subsequent cash collections and deliveries of aluminium ingots.

During the year ended September 30, 2015, the Group continued to make prepayments to Supplier A totalling RMB12,696,000 (equivalent to HK$16,043,000) for the purchase of aluminium ingots. The Group had continuously followed up with the Supplier A for subsequent delivery of aluminium ingots. However, no aluminium ingots were subsequently delivered to the Group by Supplier A in relation to the prepayments made during the year ended September 30, 2015. In this connection, a claim was lodged by the Group against Supplier A through legal proceedings in the PRC to recover certain outstanding balances paid to Supplier A. On December 29, 2016, the PRC court ruled in favour of the Group and the Group had recovered a cash settlement of RMB5,430,000 (equivalent to HK$6,094,000) according to a settlement agreement signed by a shareholder of Supplier A dated August 8, 2017.

After taking into account of the amount of RMB5,430,000 recovered through the legal proceedings in the PRC against Supplier A, the Board considered that it is unlikely to recover the remaining outstanding amounts of RMB12,696,000 (equivalent to HK$16,043,000). Hence, a further impairment provision of RMB12,696,000 (equivalent to HK$16,043,000) had been made during the year ended September 30, 2015. During the fifteen months ended December 31, 2016, no further payment was made to Supplier A and there was no subsequent further provision or reversal of provision recognized. The prepayments to Supplier A after impairment provision, amounted to RMB5,430,000 as at December 31, 2016 (equivalent to HK$6,094,000) were subsequently recovered during the current year through the final settlement as a result of the legal proceedings against Supplier A, and the gross prepayments and the related impairment provision have been derecognized during the year (Note 19).

(B) Receivables from, and possible relationship with, certain customers

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Prior years investigation (Continued)

(B) Receivables from, and possible relationship with, certain customers *(Continued)*

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

The Group stopped trading directly with Australia Customer A in July 2014 and continued the trading business with Australia Customer B until March 2015. Although the Group had continuously demanded for settlement, both Australia Customer A and Australia Customer B delayed in settlement and the outstanding trade receivables became long overdue. The Group also noticed a downside business impact on Australia Customer A and Australia Customer B following the significant increase in anti-dumping duty imposed on foreign imports from Mainland China to Australia in February 2015. In view of the above, the Group filed a claim with a court in Australia and issued winding up petitions against Australia Customer A and Australia Customer B in July 2015. During the year ended September 30, 2014, the Group has written down total outstanding trade receivables of HK$69,306,000 and HK$15,056,000 due from Australia Customer A and Australia Customer B respectively after taking into account the subsequent collections and balances recovered from the winding up petitions against them.

During the year ended September 30, 2015, while there were no sales to Australia Customer A, sales to Australia Customer B amounted to HK$241,902,000. During the year ended September 30, 2015, after taking into account the subsequent collections and balances recovered from the winding up petitions against them, the Group recognized a further write-down to administrative expenses of the outstanding trade receivables of HK$137,806,000 due from Australia Customer B in relation to the sales executed in the same year.

During the year ended September 30, 2014, there were also sales to another new customer in Australia ("**Customer C**"), which was incorporated in the British Virgin Islands (the "**BVI**"), by the Group. Based on the information in the winding up petitions against Australia Customer B, certain goods sold to Customer C were resold to Australia Customer B. During the year ended September 30, 2014, the Group had written down the outstanding trade receivables of HK$15,740,000 due from Customer C. During the year ended September 30, 2015, the Group recognized revenue of HK$36,352,000 for sales to Customer C. However, Customer C had delayed its settlement. The Group had continuously demanded Customer C for settlement but in vain. The Group had therefore recognized an additional write-down of the outstanding trade receivables from Customer C of HK$36,352,000 to administrative expenses during the year ended September 30, 2015.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Prior years investigation (Continued)

(B) Receivables from, and possible relationship with, certain customers *(Continued)*

During the fifteen months ended December 31, 2016, no further sales to Australia Customer A, Australia Customer B and Customer C were recorded by the Group. After taking into account the subsequent collections and balances recovered from the relevant legal actions, total trade receivables from Australia Customer A and Australia Customer B of HK$2,822,000 had been written down for the fifteen months ended December 31, 2016 (Note 19).

During the year, no further sales to Australia Customer A, Australia Customer B and Customer C were recorded by the Group. The net trade receivables from Australia Customer A and Australia Customer B, after write-down, of HK$12,326,000 as at December 31, 2016 were recovered during the current year and subsequent thereto through the final settlements as a result of legal proceedings against Australia Customer A and Australia Customer B (Note 19). During the year, there was no further write-down or reversal of write-down recognized.

(C) Investment in and advances to an associated company

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

As at September 30, 2015 and December 31, 2016 and 2017, the Group had an outstanding advance of HK$44,841,000 (before write-down) to Leading Sense and its subsidiaries (the "**Leading Sense Group**").

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

Upon the acquisition in August 2014, management of the Company was provided with, on a monthly basis, the management accounts of the Leading Sense Group which had been unavailable since January 2015. In addition, the other shareholders or the management of the Leading Sense Group ceased to be contactable since January 2015. Based on the latest available management accounts for the three months ended December 31, 2014 of the Leading Sense Group, management estimated that the Group's attributable share of loss of the Leading Sense Group to be HK$9,493,000, which had been recorded as share of loss of an associated company during the year ended September 30, 2015.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.3 Prior years investigation (Continued)

(C) Investment in and advances to an associated company *(Continued)*

As the management of the Company was unable to obtain further financial information from the Leading Sense Group and in view of the financial position of the Leading Sense Group based on the latest available management accounts as well as the discontinuation of the Mobile Business in 2015, the Board resolved to fully write down the investment in an associated company of HK$5,893,000 and the amount due from an associated company totalling HK$44,841,000. The total amounts written down were charged to administrative expenses in the Company's consolidated financial statements for the year ended September 30, 2015 (Note 16(b)). No material subsequent reversal of write-down was recognized for the fifteen months ended December 31, 2016 and the year ended December 31, 2017.

Subsequent to December 31, 2017, the Group entered into a disposal agreement to dispose of its entire 45% equity interest in Leading Sense to an independent third party at a consideration of US$1 with effective on June 26, 2018.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Business combinations *(Continued)*

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

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

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Investments accounted for using the equity method

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.3 Investments accounted for using the equity method *(Continued)*

Investments in an associated company and a joint venture are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associated company and a joint venture include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company and a joint venture, any difference between the cost of the associated company or a joint venture or the Group's share of the net fair value of the associated company's or the joint venture's identifiable assets and liabilities is accounted for as goodwill.

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

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying amount and recognizes the amount adjacent to "Share of results of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

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

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

Gains and losses on dilution arising in investments accounted for using the equity method are recognized in the consolidated statement of comprehensive income.

2.4 Structured entity

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

(c) *Group companies*

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.7 Land use rights

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

2.8 Property, plant and equipment

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.9 Intangible assets

Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives of 10 years.

2.10 Impairment of non-financial assets

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

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.11 Financial assets *(Continued)*

2.11.2 Recognition and measurement

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

2.12 Offsetting financial instruments

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

2.13 Impairment of financial assets carried at amortized cost

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.14 Inventories

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

2.15 Trade and other receivables

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

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Borrowings

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.18 Borrowings *(Continued)*

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

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

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

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

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

2.19 Provisions

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

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

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

2.20 Trade payables

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

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

2.21 Current and deferred income tax

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(a) *Current income tax*

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

(b) *Deferred income tax*

Inside basis difference

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

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

Outside basis difference

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

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

(c) *Offsetting*

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.22 Revenue recognition

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

Revenue is recognized as follows:

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

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

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

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

2.23 Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Bonus plans

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.23 Employee benefits *(Continued)*

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

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

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

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

2.24 Leases

(a) *Operating leases*

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

(b) *Finance leases*

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

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

2.25 Government grants/subsidies

Grants/subsidies from government are recognised at their fair value where there is a reasonable assurance that the grants/subsidies will be received and the Group will comply with all attached conditions.

Under these circumstances, the grants/subsidies are recognised as income or matched with the associated costs which the grants/subsidies are intended to compensate.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.26 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group is not exposed to material equity price risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's management regularly monitors the exposures and implements timely and effective policies to mitigate potential risks. Risk management is carried out by the group treasury department under policies approved by the Board. Financial risks are identified and evaluated in different units with close cooperation with the group treasury. Based on the policies, the Group can also use derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

Foreign exchange risk

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The results of net foreign exchange difference arise from relevant foreign currencies denominated trade and other receivables, cash and bank deposits, other payables and current accounts with group companies. The Group's exposure to different currencies is disclosed in the following table:

	2017 Increase/ (decrease) on loss for the year HK$'000	2016 Increase/ (decrease) on loss for the period HK$'000
For companies with HKD as their functional currency:		
RMB weakens against HKD by 10%	**700**	700
RMB strengthens against HKD by 10%	**(700)**	(700)
For companies with RMB as their functional currency:		
USD weakens against RMB by 10%	**(619)**	(428)
USD strengthens against RMB by 10%	**619**	428
For companies with USD as their functional currency:		
AUD weakens against USD by 10%	**(882)**	(1,275)
AUD strengthens against USD by 10%	**882**	1,275

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

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

The credit risk is characterized by high concentration of business with several customers. At the end of reporting period, the Group has a certain concentration of credit risk as 37% (2016: 55%) and 53% (2016: 65%) of the total trade and other receivables due from the Group's largest customer and the five largest customers respectively.

The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Management believes that the credit risk related to these customers is not significant in respect of the net trade receivables.

Settlements from the customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified and follow-up action is taken to recover the overdue debts.

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows, further details of which are set out in Note 2.1.

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

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At December 31, 2017					
Borrowings	**874,769**	**878,364**	**856,789**	**–**	**21,575**
Trade and other payables	**432,154**	**432,154**	**432,154**	**–**	**–**
Due to a related company	**14,084**	**14,084**	**14,084**	**–**	**–**
Obligations under finance leases	**3,640**	**4,060**	**3,924**	**136**	**–**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At December 31, 2016					
Borrowings	559,543	559,543	559,543	–	–
Trade and other payables	408,548	408,548	408,548	–	–
Obligations under finance leases	24,028	25,946	20,596	5,214	136

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.2 Capital risk management

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

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

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

The gearing ratios of the Group as at December 31, 2016 and 2017 were as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Total borrowings	**878,409**	583,571
Total equity	**998,609**	1,109,476
Gearing ratio	**88.0%**	52.6%

The increase in the gearing ratio as at December 31, 2017 was the result of loss and increase in total borrowings during the year ended December 31, 2017.

3.3 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 Consolidated Financial Statements

4 Critical accounting estimates and judgments

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Save as disclosed in Note 2.1, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

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

(b) Provision for impairment of receivables

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

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

The carrying amount and impairment of trade receivables are disclosed in Note 19.

(c) Identification of functional currencies

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments *(Continued)*

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

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

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

Management considered there was no impairment indicator of remaining property, plant and equipment and construction in progress as at December 31, 2017 as these assets were used for profitable projects, and there is a strong demand of these property, plant and equipment in the second hand market (December 31, 2016: Same).

5 Revenue and Segment information

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

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

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

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
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
Branded OPLV products	Door and window frames systems marketed under "**OPLV**" brand and sold through distributors

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

The segment information for the operating segments for the year ended December 31, 2017 is as follows:

	Electronics parts HK$'000	Construction and industrial products HK$'000	Branded OPLV products HK$'000	Total HK$'000
Sales to external customers	**902,899**	**697,428**	**178,356**	**1,778,683**
Cost of sales	**(731,767)**	**(649,382)**	**(165,513)**	**(1,546,662)**
Segment gross profit	**171,132**	**48,046**	**12,843**	**232,021**
Unallocated operating costs				**(359,011)**
Other income				**19,597**
Other gains – net				**11,584**
Finance costs – net				**(45,728)**
Share of results of investments accounted for using the equity method				**(8,936)**
Loss before income tax				**(150,473)**

Unallocated operating costs mainly comprise salaries and allowance, rent and rates and other general selling and administrative expenses.

The segment information for the operating segments for the fifteen months ended December 31, 2016 is as follows:

	Electronics parts HK$'000	Construction and industrial products HK$'000	Branded OPLV products HK$'000	Total HK$'000
Sales to external customers	1,140,822	805,355	289,847	2,236,024
Cost of sales	(962,553)	(690,114)	(282,440)	(1,935,107)
Segment gross profit	178,269	115,241	7,407	300,917
Unallocated operating costs				(481,521)
Other income				34,674
Other losses – net				(16,761)
Finance costs – net				(25,626)
Share of results of investments accounted for using the equity method				(7,359)
Loss before income tax				(195,676)

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the year ended December 31, 2017 and fifteen months ended December 31, 2016 consists of the following:

	Year ended December 31, 2017					
	The PRC HK$'000	Australia HK$'000	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Total HK$'000
Sales to external customers	**1,336,769**	**286,647**	**31,060**	**96,668**	**27,539**	**1,778,683**
Cost of sales	**(1,184,226)**	**(239,599)**	**(25,575)**	**(72,195)**	**(25,067)**	**(1,546,662)**
Gross profit	**152,543**	**47,048**	**5,485**	**24,473**	**2,472**	**232,021**

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

	Fifteen months ended December 31, 2016					
	The PRC HK$'000	Australia HK$'000	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Total HK$'000
Sales to external customers	1,751,783	281,813	41,458	145,924	15,046	2,236,024
Cost of sales	(1,549,481)	(226,650)	(33,128)	(111,320)	(14,528)	(1,935,107)
Gross profit	202,302	55,163	8,330	34,604	518	300,917

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

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
PRC Customer A	**688,829**	942,399

The geographical locations of non-current assets are determined based on the countries of domicile of the companies now comprising the Group. The total of non-current assets, excluding investments accounted for using the equity method, located in respective geographical locations is as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
The PRC	**1,426,101**	1,228,453
Hong Kong	**4,647**	11,018
Other countries	**16,036**	15,691
	1,446,784	1,255,162

Analysis of segment assets and liabilities for each reportable segment has not been presented as such amounts are not regularly provided to the Board.

Notes to the Consolidated Financial Statements

6 Expenses by nature

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

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Auditor's remuneration – current year/period	**4,700**	4,700
Operating leases – land and buildings	**16,552**	17,307
Cost of inventories recognized as expenses	**1,546,662**	1,935,107
Loss on disposal of property, plant and equipment *(Note 28(c))*	**118**	769
Loss on disposal of investments accounted for using the equity method	**6,978**	–
Employee benefit expenses *(Note 7)*	**405,632**	475,886
Depreciation:		
– Owned property, plant and equipment *(Note 14)*	**97,457**	94,779
– Leased property, plant and equipment *(Note 14)*	**2,280**	3,732
Amortization of land use rights *(Note 14)*	**6,254**	4,678
Amortization of intangible assets *(Note 15)*	**–**	1,009
Provision for impairment of intangible assets *(Note 15)*	**–**	19,741
Provision for impairment on other prepayment and deposits	**–**	7,254
Impairment provision of investments accounted for using the equity method *(Note 16(b))*	**2,780**	13,965
Write off of inventories	**3,177**	12,822
Write down of trade receivables *(Note 19)*	**–**	2,822
Legal and professional fees	**16,262**	11,071

7 Employee benefit expenses (including directors' emoluments) and five highest paid individuals

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Wages and salaries	**353,309**	425,372
Contributions to defined contribution plans	**32,205**	31,895
Other benefits	**20,118**	18,619
	405,632	475,886

Notes to the Consolidated Financial Statements

7 Employee benefit expenses (including directors' emoluments) and five highest paid individuals *(Continued)*

Five highest paid individuals

For the year ended December 31, 2017, the five individuals whose emoluments were the highest in the Group include 3 directors (fifteen months ended December 31, 2016: 3), whose emoluments are reflected in the analysis presented in Note 34. The emoluments paid to the remaining 2 (fifteen months ended December 31, 2016: 2) individuals are as follows:

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Salaries and allowances	**6,108**	7,046
Contributions to defined contribution plans	**137**	153
	6,245	7,199

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

	Year ended December 31, 2017	Fifteen months ended December 31, 2016
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	2	2

During the year ended December 31, 2017, none of the directors of the Company or the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments (fifteen months ended December 31, 2016: Same).

Notes to the Consolidated Financial Statements

8 Other income

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Government grants[(i)]	**5,883**	9,881
Forfeiture of customer deposits	**1**	5
Insurance claims	**1,468**	1,333
Scrap sales, net	**10,851**	15,515
Others	**1,394**	7,940
	19,597	34,674

(i) For the year ended December 31, 2017, included in government grants is an amount of HK$5,350,000 (RMB4,618,000) which represented subsidies from the Economic and Information Commission of Guangdong Province and the Industry and Information Technology Commission of Guangzhou Municipality for the technical renovation of the Group's equipment. There were no conditions to be fulfilled or contingencies relating to these grants.

For the fifteen months ended December 31, 2016, included in government grants is an amount of HK$9,421,000 (RMB7,966,000) which represented incentive from People's Government of Wolong District ("**Wolong District Government**") in accordance with the supportive preferential policy pursuant to the investment agreement for the Group's development of high technology enterprise in the Wolong District at the Nanyang Optoelectronics Industry Cluster Area in Nanyang City, Henan Province, the PRC, and there were no conditions to be fulfilled or contingencies relating to these grants.

9 Other gains/(losses) – net

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Net exchange gains	**11,163**	4,356
Loss on derivative financial instruments – foreign exchange forward contracts	**–**	(8,503)
Loss on derivative financial instruments – aluminium futures contracts	**–**	(12,614)
Gain on disposal of a subsidiary *(Note 31)*	**421**	–
	11,584	(16,761)

Notes to the Consolidated Financial Statements

10 Finance income and costs

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Interest income:		
Interest income on bank deposits	**913**	2,940
Finance income	**913**	2,940
Interest expenses:		
Interest expense on borrowings*	**(45,138)**	(27,324)
Interest element of finance leases	**(1,503)**	(1,242)
Finance costs	**(46,641)**	(28,566)
Finance costs – net	**(45,728)**	(25,626)

* The balance is arrived at after netting of interest capitalized of HK$4,388,000 for the year ended December 31, 2017 (fifteen months ended December 31, 2016: HK$4,065,000).

11 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same).

The Group's operations in the PRC are subject to the PRC corporate income tax. No PRC corporate income tax has been provided as the Group has no estimated assessable profit for the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same). The standard PRC corporate income tax rate was 25% for the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (defined in Note 16(a)) is exempted from Macao Complementary Tax during the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same).

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Hong Kong profits tax		
– current year/period	**1,863**	1,845
– under-provisions in respect of prior years	**–**	28,032
Overseas taxation		
– current year/period	**6,126**	8,146
	7,989	38,023

Notes to the Consolidated Financial Statements

11 Income tax expense *(Continued)*

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

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Loss before income tax	**(150,473)**	(195,676)
Tax calculated at Hong Kong profits tax rate of 16.5%	**(24,828)**	(32,287)
Income not subject to tax	**(2,000)**	(735)
Expenses not deductible for tax purposes	**8,716**	35,412
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(36,864)**	(12,772)
Tax losses for which no deferred income tax asset was recognized	**59,406**	26,506
Share of results of investments accounted for using equity method	**2,234**	1,840
Utilization of tax losses previously not recognized	**–**	(9,091)
Under-provision in respect of prior years	**–**	28,032
Other temporary differences not recognized	**1,325**	1,118
Income tax expense	**7,989**	38,023

As at December 31, 2017, the Group had unused tax losses arising in Hong Kong of HK$151,840,000 (December 31, 2016: HK$123,869,000) and the PRC of approximately HK$407,271,000 (December 31, 2016: HK$213,712,000) which are available for offset against future taxable profits of the Group in which the losses arose for an indefinite period and a period of five years respectively. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the group companies that have been loss-making for some years.

As at December 31, 2017, the subsidiaries have no unremitted earnings with deferred income tax liability arising thereon. Management is of the view that unremitted earnings are intended for re-investment in the PRC and there is no current plan for distribution (December 31, 2016: Same).

On March 27, 2013, the Hong Kong Inland Revenue Department ("**IRD**") issued protective estimated assessments for the years of assessment 2006/07 to 2011/12 to the Company and certain of its subsidiaries, demanding profits tax payments. Notices of objection have been lodged and the IRD has granted unconditional holdover orders in respect of certain protective estimated assessments and the profits tax payments demanded.

Notes to the Consolidated Financial Statements

11 Income tax expense *(Continued)*

It is the management's understanding that the protective estimated assessments were merely issued to keep the relevant assessment years open in view of the statutory time-bar, and the case is in the information collection stage. Management is of the view that the tax position taken by the Company and the relevant subsidiaries are supported by sustainable facts and technical grounds. Management is however also of the view that, as at the date of this report, the under-provision in respect of prior years was approximately HK$28,032,000 based on the best estimate of the Group with reference to the currently available information, and the related provision was made during the fifteen months ended December 31, 2016. However, there is no reliable basis for estimating, and providing for the corresponding penalty and interest, if any.

12 Loss per share

(a) Basic

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

	Year ended December 31, 2017	Fifteen months ended December 31, 2016
Loss attributable to equity holders of the Company (HK$'000)	**(156,332)**	(232,001)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**1,199,405**	1,199,405

(b) Diluted

Diluted loss per share is of the same amount as the basic loss per share as there were no potential dilutive ordinary shares outstanding as at December 31, 2017 (December 31, 2016: same).

13 Dividends

No dividend has been paid or declared by the Company during the year ended December 31, 2017 (fifteen months ended December 31, 2016: Nil).

Notes to the Consolidated Financial Statements

14 Property, plant and equipment and land use rights

	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At October 1, 2015							
Cost	45,234	703,337	22,496	2,453	24,704	238,118	1,036,342
Accumulated depreciation	(24,158)	(285,249)	(16,650)	(1,520)	(11,152)	–	(338,729)
Net book amount	21,076	418,088	5,846	933	13,552	238,118	697,613
Fifteen months ended December 31, 2016							
Opening net book amount	21,076	418,088	5,846	933	13,552	238,118	697,613
Exchange differences	(1,860)	(46,745)	(406)	(8)	(1,064)	(19,707)	(69,790)
Additions	802	126,048	6,784	5,799	5,010	179,919	324,362
Acquisition of subsidiaries	–	635	43	53	241	–	972
Transfers	73,837	177,858	–	–	–	(251,695)	–
Transfer within categories	(360)	4,647	(4,287)	–	–	–	–
Disposals *(Note 28(c))*	–	(413)	(105)	(28)	(343)	–	(889)
Depreciation *(Note 6)*	(3,977)	(83,283)	(3,607)	(2,606)	(5,038)	–	(98,511)
Closing net book amount	89,518	596,835	4,268	4,143	12,358	146,635	853,757
At December 31, 2016 and January 1, 2017							
Cost	115,718	944,595	20,230	7,834	26,716	146,635	1,261,728
Accumulated depreciation	(26,200)	(347,760)	(15,962)	(3,691)	(14,358)	–	(407,971)
Net book amount	89,518	596,835	4,268	4,143	12,358	146,635	853,757
Year ended December 31, 2017							
Opening net book amount	89,518	596,835	4,268	4,143	12,358	146,635	853,757
Exchange differences	6,104	37,938	343	26	565	18,907	63,883
Additions	–	68,321	3,438	42	349	191,596	263,746
Transfers	156,360	53,505	–	–	–	(209,865)	–
Disposals *(Note 28(c))*	–	(15,173)	(1)	(34)	(319)	(3,400)	(18,927)
Depreciation *(Note 6)*	(10,140)	(81,514)	(1,979)	(2,088)	(4,016)	–	(99,737)
Closing net book value	241,842	659,912	6,069	2,089	8,937	143,873	1,062,722
At December 31, 2017							
Cost	280,086	1,083,334	24,853	7,871	27,965	143,873	1,567,982
Accumulated depreciation	(38,244)	(423,422)	(18,784)	(5,782)	(19,028)	–	(505,260)
Net book amount	241,842	659,912	6,069	2,089	8,937	143,873	1,062,722

Notes to the Consolidated Financial Statements

14 Property, plant and equipment and land use rights *(Continued)*

As at December 31, 2017, the net book value of buildings pledged as securities for the Group's banking facilities was HK$29,118,000 (December 31, 2016: HK$29,827,000) (Note 27).

As at December 31, 2017, the net book value of plant and machinery pledged as securities for the Group's banking facilities was HK$86,128,000 (December 31, 2016: HK$82,325,000) (Note 27).

As at December 31, 2017, the net book value of plant and machinery and motor vehicles held by the Group under finance leases was as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Cost – Capitalized finance leases	**21,894**	51,163
Accumulated depreciation	**(3,553)**	(6,594)
Net book amount	**18,341**	44,569

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

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Cost of sales	**87,843**	87,587
Administrative expenses	**11,894**	10,924
	99,737	98,511

All buildings are located in the PRC and Australia.

Notes to the Consolidated Financial Statements

14 Property, plant and equipment and land use rights *(Continued)*

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

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
The PRC, held on leases of between 10 to 50 years	**293,696**	265,439
Overseas, freehold	**5,873**	5,407
	299,569	270,846

As at December 31, 2017, land use rights with net book value of HK$289,563,000 were pledged as securities for the Group's bank borrowings (December 31, 2016: HK$260,409,000) (Note 27).

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Opening net book value	**270,846**	296,400
Addition *(Note)*	**16,199**	4,274
Amortization for the year/period *(Note 6)*	**(6,254)**	(4,678)
Exchange differences	**18,778**	(25,150)
Closing net book value	**299,569**	270,846

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

Note:

On April 10, 2015, the Group entered into an investment agreement with the Jimsar County Government by establishing and investing in a new wholly-owned subsidiary with an estimated aggregate capital of at least RMB200 million (equivalent to approximately HK$254 million) at Xinjiang to produce high-end aluminium rods and aluminium rolled products. On December 18, 2015, the Group entered into an agreement with 吉木薩爾縣國土資源局 ("**JBLR**") by purchasing the land with consideration of approximately RMB3.6 million (equivalent to approximately HK$4.4 million) which was waived by the JBLR.

Notes to the Consolidated Financial Statements

15 Intangible assets

	Trademarks and patents HK$'000
As at October 1, 2015	–
Additions	21,077
Impairment *(Note 6)*	(19,741)
Amortization charge *(Note 6)*	(1,009)
Exchange differences	(327)
As at December 31, 2016, January 1, 2017 and December 31, 2017	–

During the fifteen months ended December 31, 2016, amortization of HK$1,009,000 is included in 'administrative expenses' of the consolidated statement of comprehensive income.

For the purpose of impairment testing, intangible assets are allocated to a cash-generating unit ("CGU"), reportable product segment of Branded OPLV products.

The recoverable amount of the CGU has been determined from value-in-use calculations based on cash flow projections from formally approved budgets covering a five-year period with a discount rate of 19.5%. The discount rate used was pre-tax and reflects specific risks relating to the CGU. The compound revenue growth rate was 8.7% per annum within the five-year period based on past experience, which does not exceed the long-term growth rate of this business in which the CGU operates. During the fifteen months ended 31 December 2016, the carrying amount has been reduced to its recoverable amount of HK$Nil and an impairment loss on intangible assets of HK$19,741,000 was recognized in administrative expenses of the consolidated statement of comprehensive income due to the unfavourable change in market condition.

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity

(a) Particulars of subsidiaries

The following is a list of the principal subsidiaries at December 31, 2017:

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest	Principal activities and place of operations
PanAsia Aluminium (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100% (indirect)	Trading of aluminium products/Hong Kong
PanAsia Aluminium Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100% (indirect)	Investment holding and provision of management services/Hong Kong
PanAsia Trading Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100% (indirect)	Trading of aluminium products/Hong Kong
OPAL (Macao Commercial Offshore) Limited ("**OPAL**")	Macao	Registered capital of MOP1,000,000	100% (indirect)	Trading of aluminium products/Macao
PanAsia Aluminium (China) Co., Ltd.#	The PRC	Registered capital of US$106,800,000 and paid-up capital of US$106,800,000	100% (indirect)	Manufacturing and trading of aluminium products/ the PRC
Guangzhou Rongfu Electronics Technology Co. Ltd.#	The PRC	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100% (indirect)	Manufacturing, developing and trading of electronics products and computer parts/ the PRC
Cepa Chance Investments Limited	The BVI	1 ordinary share of US$1 each	100% (indirect)	Trading of aluminium products/Macao

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(a) Particulars of subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at December 31, 2017: *(Continued)*

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest	Principal activities and place of operations
Triplerich Associates Limited	The BVI	1 ordinary share of US$1 each	100% (indirect)	Holding of trademarks
Chengdu Zhencheng Trading Co., Ltd.#	The PRC	Registered capital of HK$10,000,000 and paid-up capital of HK$2,000,000	100% (indirect)	After-sales services/the PRC
PanAsia Enterprises (Nanyang) Company Limited#	The PRC	Registered capital of USD226,650,000 and paid-up capital of USD179,364,298	100% (indirect)	Manufacturing and trading of aluminium products/ the PRC
OPLV (Nanyang) Doors and Windows Systems Co., Ltd.#	The PRC	Registered capital of USD30,000,000 and paid-up capital of USD8,010,800	100% (indirect)	Processing and trading of windows and doors system/the PRC
PanAsia Aluminium Pty Ltd	Australia	AUD100	100% (indirect)	Trading of aluminium products and provision of vehicle lease services in Australia
Ruipin Doors and Windows System (Suzhou) Co., Ltd	The PRC	Registered capital of RMB5,000,000 and paid-up capital of RMB2,800,000	100% (indirect)	Processing and trading of windows and door system/the PRC
Suzhou IDEA Doors and Windows Co., Ltd	The PRC	Registered capital of RMB3,000,000 and paid-up capital of RMB3,000,000	52% (indirect)	Processing and trading of windows and door system/the PRC
Ningxia Ruipin Doors and Windows Technology Co., Ltd	The PRC	Registered capital of RMB1,000,000 and paid-up capital of RMB510,000	51% (indirect)	Processing and trading of windows and door system/the PRC
Yunnan Ruipin Doors and Windows Co., Ltd	The PRC	Registered capital of RMB1,000,000 and paid-up capital of RMB1,000,000	100% (indirect)	Processing and trading of windows and door system/the PRC
吉木薩爾縣宏睿鋁業有限公司	The PRC	Registered capital of RMB8,000,000 and paid-up capital of RMB8,000,000	100% (indirect)	Inactive due to production facilities construction in progress/the PRC

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

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(a) Particulars of subsidiaries *(Continued)*

On December 28, 2017, the Company (through its wholly-owned subsidiaries) as the vendors, the purchasers, which are companies beneficially owned by Ms. Shao Liyu ("**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 ("**OPNY**") and OPLV Architectural Design Pty Ltd ("**OPAD**"). The vendors shall also procure the accounts receivables owed by the OPLV Group to the Group to be transferred or assigned to the purchasers, The consideration was estimated to be at an aggregate amount of RMB20 million. Upon completion of the disposal, the Group will cease to have any interest in the above entities and their subsidiaries and their 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.

Summarized financial information of OPNY and its subsidiaries and OPAD (collectively the "***OPLV Group***") included in the Group's consolidated statement of financial position as at December 31, 2017 is as follows:

	As at December 31, 2017 HK$'000
ASSETS	
Non-current assets	
Property, plant and equipment	15,998
Investments accounted for using the equity method	4,463
Prepayments for property, plant and equipment	196
	20,657
Current assets	
Inventories	58,940
Trade and bills receivables	23,079
Prepayments, deposits and other receivables	24,653
Due from a related company	1,253
Due from the investments accounted for using the equity method	21,009
Cash and cash equivalents	1,067
	130,001
Total assets	150,658

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(a) Particulars of subsidiaries *(Continued)*

	As at December 31, 2017 HK$'000
Current liabilities	
Trade payables	10,275
Other payables and accrued charges	69,760
Due to a related company	14,084
Due to the investments accounted for using the equity method	1,703
Due to fellow subsidiaries	181,935
Borrowings	11,986
Obligations under finance leases	32
Current income tax liabilities	2,125
Total liabilities	291,900

	Year ended December 31, 2017 HK$'000
Summarised information of key items in the statement of comprehensive income:	
Revenue	148,100
Gross profit	22,011
Loss before income tax	(51,798)
Loss for the year	(51,798)

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(b) Investments accounted for using the equity method

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

Leading Sense has issued share capital consisting solely of ordinary shares, with 2,000 ordinary shares of US$1 each.

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

Write-down of investment in associate and amounts due from the Leading Sense Group of HK$5,893,000 and HK$44,841,000 respectively, had been charged to profit or loss in prior years. Included in the balance is the net book value of the Group's investment in and advances to the Leading Sense Group of HK$Nil as at December 31, 2016 and 2017.

Set out below are the other principal investments accounted for using the equity method of the Group as at December 31, 2017. The investments accounted for using the equity method as listed below have share capital consisting solely of paid-up capital, which are held indirectly by the Group; the country of incorporation or registration is also their principal place of business.

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
OPLV (Hainan) Doors and Windows Systems Co., Ltd	The PRC	49%	Associated company	Equity
Hunan OPLV Doors and Windows Systems Co., Ltd	The PRC	49%	Joint venture	Equity
Gansu OPLV Jiapin Entire System Doors and Windows Co., Ltd	The PRC	49%	Joint venture	Equity
OPLV (Hubei) Doors and Windows Systems Co., Ltd	The PRC	49%	Joint venture	Equity

The above companies are private companies and there are no quoted market price available for their equity interests.

There are no contingent liabilities relating to the Group's interests in the above companies.

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

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Investments in the joint ventures	**4,463**	16,107
Investments in the associated companies	**–**	–
	4,463	16,107

Notes to the Consolidated Financial Statements

16 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
At beginning of year/period	**16,107**	–
Investment costs	**2,833**	38,923
Disposal	**(3,376)**	–
Share of results of investments accounted for using the equity method	**(8,936)**	(7,359)
Share of other comprehensive income	**–**	86
Impairment provision *(Note 6)*	**(2,780)**	(13,965)
Exchange differences	**615**	(1,578)
At end of year/period	**4,463**	16,107

The Group's associates and joint ventures are not individually material.

During the year ended December 31, 2017, the carrying amount of certain investments accounted for using the equity method has been reduced to its recoverable amount of HK$Nil with reference to its future cash flows and an impairment loss of HK$2,780,000 was recognized in administrative expenses of the consolidated statement of comprehensive income due to the continuously loss-making operations. During the fifteen months ended December 31, 2016, certain investments accounted for using the equity method were continuously loss-making or subsequently disposed of. The aggregate recoverable amount of these investments was measured with reference to their future cash flows or subsequent selling price where applicable at approximate HK$6,974,000. Since the recoverable amounts of certain investments accounted for using the equity method are estimated to be less than their aggregate carrying amount of HK$20,939,000, the carrying amounts of such investments are reduced to their recoverable amounts through recognition of an impairment loss of HK$13,965,000 and included in administrative expenses for that period.

(c) Controlled structured entity

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

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

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

Notes to the Consolidated Financial Statements

17 Financial instruments by category

	Loans and receivables HK$'000
Assets as per consolidated statement of financial position	
December 31, 2017	
Trade and bills receivables *(Note 19)*	**491,346**
Deposits and other receivables	**59,660**
Due from related companies *(Note 20)*	**16,232**
Due from the investments accounted for using the equity method *(Note 20)*	**21,009**
Pledged bank deposits *(Note 21)*	**7,983**
Cash and cash equivalents *(Note 21)*	**26,336**
Total	**622,566**
December 31, 2016	
Trade and bills receivables *(Note 19)*	414,333
Deposits and other receivables	85,677
Due from a related company *(Note 20)*	934
Due from the investments accounted for using the equity method *(Note 20)*	16,975
Pledged bank deposits *(Note 21)*	64,464
Cash and cash equivalents *(Note 21)*	35,209
Total	617,592

Notes to the Consolidated Financial Statements

17 Financial instruments by category *(Continued)*

	Other financial liabilities at amortized cost HK$'000
Liabilities as per consolidated statement of financial position	
December 31, 2017	
Trade payables *(Note 26)*	**106,081**
Other payables and accrued charges	**324,370**
Due to the investments accounted for using the equity method *(Note 20)*	**1,703**
Due to a related company *(Note 20)*	**14,084**
Borrowings *(Note 27)*	**874,769**
Obligations under finance leases *(Note 25)*	**3,640**
Total	**1,324,647**
December 31, 2016	
Trade payables *(Note 26)*	153,696
Other payables and accrued charges	254,654
Due to the investments accounted for using the equity method *(Note 20)*	198
Borrowings *(Note 27)*	559,543
Obligations under finance leases *(Note 25)*	24,028
Total	992,119

Notes to the Consolidated Financial Statements

18 Inventories

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Raw materials	**116,147**	130,013
Work-in-progress	**93,393**	86,351
Finished goods	**158,716**	97,770
Total inventories	**368,256**	314,134

19 Trade and bills receivables, prepayments, deposits and other receivables

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Trade receivables – net	**490,752**	408,750
Bills receivables	**594**	5,583
Trade and bills receivables – net	**491,346**	414,333

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 (December 31, 2016: 30 to 120 days). The Group does not hold any collateral as security.

For the fifteen months ended December 31, 2016, total trade receivables of HK$2,822,000 were written down. These written down receivables related to individual customers, namely, Australia Customer A and Australia Customer B. During the year, there was no further write-down or reversal of write-down recognized. Included in the net balance as at December 31, 2016 are accumulated write-down of HK$277,082,000 related to individual customers, namely, Australia Customer A, Australia Customer B and Customer C. The net trade receivables from Australia Customer A and Australia Customer B, after write-down, of HK$12,326,000 as at December 31, 2016 were recovered during the current year and subsequent thereto through the final settlements as a result of legal proceedings against Australia Customer A and Australia Customer B. The net carrying value of trade receivables from Customer C amounted to HK$Nil as at December 31, 2016 and 2017.

Notes to the Consolidated Financial Statements

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

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

As at December 31, 2017, the ageing analysis of the trade and bills receivables based on due date was as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Current	**320,101**	328,225
1 – 30 days	**72,662**	47,860
31 – 60 days	**23,609**	9,096
61 – 90 days	**18,217**	6,138
91 – 180 days	**35,555**	4,047
181 days – 1 year	**3,714**	6,076
More than 1 year	**17,488**	12,891
	491,346	414,333

As at December 31, 2017, receivables of HK$320,101,000 were neither past due nor impaired (December 31, 2016: HK$328,225,000). These receivables relate to customers for whom there is no recent history of default. The remaining receivables were past due but not impaired. These relate to a number of independent customers that have a good track record of payment with the Group. No impairment provision was made as at December 31, 2017 (December 31, 2016: Nil).

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK$199,810,000 to financial institution in exchange for cash as at December 31, 2017 (December 31, 2016: HK$198,390,000). The transactions have been accounted for as collateralized borrowings (Note 27).

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

As at December 31, 2017, the carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
AUD	**78,280**	47,722
RMB	**244,478**	194,856
USD	**154,374**	141,203
HKD	**9,262**	28,136
Others	**4,952**	2,416
	491,346	414,333

Notes to the Consolidated Financial Statements

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

Prepayments for property, plant and equipment represented the prepayments mainly made for purchase of plant and machinery.

As at December 31, 2017, breakdown of prepayments, deposits and other receivables under current assets was as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Current portion:		
Prepayments to suppliers for purchases of materials, net *(Note i)*	**16,973**	10,285
Others	**73,616**	95,874
	90,589	106,159

Note i: The prepayments to Supplier A after impairment provision made in prior years, amounted to RMB5,430,000 as at December 31, 2016 (equivalent to December 31, 2016: HK$6,094,000) were subsequently recovered during the current year through the final settlement as a result of the legal proceedings against Supplier A, and the gross prepayments and the related impairment provision have been derecognized during the year.

20 Due from/to related companies and due from/to the investments accounted for using the equity method

(i) Due from related companies:

The amounts due are unsecured, interest-free and repayable on demand. The carrying amount approximates their fair values.

As at December 31, 2017, the related companies are controlled by an executive director of the Company and a related company is controlled by family member of Mr. Pan, who was the settlor of the Pan Family Trust.

As at December 31, 2016, the related company is controlled by family member of Mr. Pan, who was the settlor of the Pan Family Trust.

(ii) Due to a related company:

The amount due is unsecured, interest-free and repayable within one year after the end of the reporting period. The related company is controlled by an executive director of the Company.

(iii) Due from the investments accounted for using the equity method:

As at December 31, 2017 and 2016, the amounts due are unsecured, interest-free and repayable on demand. The carrying amount approximates the fair value.

(iv) Due to the investments accounted for using the equity method:

The amounts are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values.

Notes to the Consolidated Financial Statements

21 Cash and cash equivalents and pledged bank deposits

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Cash in hand	**1,428**	904
Cash at bank	**24,908**	34,305
Cash and cash equivalents	**26,336**	35,209
Pledged bank deposits – Current	**7,983**	64,464
	34,319	99,673

As at December 31, 2017, bank deposits of HK$3,084,000 (December 31, 2016: HK$58,802,000) were pledged as securities for the Group's bills payables (December 31, 2016: same). The remaining pledged bank deposits were made for the purchases of raw materials.

The cash at bank and in hand and bank deposits are denominated in the following currencies:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
HKD	**1,448**	1,075
AUD	**4,454**	12,107
RMB	**18,251**	77,788
USD	**6,407**	7,277
Others	**3,759**	1,426
	34,319	99,673

Notes to the Consolidated Financial Statements

22 Share capital

	Ordinary shares of HK$0.10 each Number of shares	HK$'000
Authorized:		
As at October 1, 2015, December 31, 2016, January 1, 2017 and December 31, 2017	2,400,000,000	240,000
Issued and fully paid:		
As at October 1, 2015, December 31, 2016, January 1, 2017 and December 31, 2017	1,200,000,000	120,000

23 Share award scheme

Since March 3, 2014, the Group's share award scheme has been in effect. The terms of the share award scheme provide for shares in the Company to be awarded to employees of the Group (including the executive director) as part of their compensation package.

On April 7, 2014, following the Board's decision to award a sum of up to HK$10 million, the awarded shares are purchased from the market. Before vesting, the awarded shares are held in a trust set up by the share award scheme.

No awarded shares were awarded for the year ended December 31, 2017 and the fifteen months ended December 31, 2016.

During the year ended December 31, 2017 and the fifteen months ended December 31, 2016, the share award scheme did not acquire any Company shares through purchases on the open market.

During the year ended December 31, 2017 and the fifteen months ended December 31, 2016, the share award scheme did not transfer any Company shares to the awardees upon vesting of awarded shares.

Notes to the Consolidated Financial Statements

24 Reserves

The amounts of the Group's reserves and the movements therein for the year ended December 31, 2017 and the fifteen months ended December 31, 2016 are presented in the consolidated statement of changes in equity.

The statutory reserves are set up by the Group's subsidiaries, namely PanAsia Aluminium (China) Co., Ltd. ("**PACL**") and OPAL, by way of appropriation from the profit for the year in accordance with the relevant laws and regulations in the PRC and in Macao.

In the PRC, PACL is required to allocate at least 10% of its net profit for each voting period as reported in its PRC statutory accounts to the statutory reserves until such reserve reaches 50% of registered capital. The reserve is designated for statutory surplus reserve fund and an enterprise expansion fund which are non-distributable. The statutory surplus reserve fund can be used to make up its prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund can be used for expanding the capital base of PACL, by means of capitalization issue.

In Macao, the Macao Commercial Code#377 requires that OPAL should set aside a minimum of 25% of OPAL's profit for each voting period to the statutory reserve until the balance of the reserve reaches a level equivalent to 50% of the capital of OPAL. The reserve is non-distributable.

During the year ended December 31, 2017, there were no appropriations to the statutory reserves (fifteen months ended December 31, 2016: Nil).

Notes to the Consolidated Financial Statements

25 Obligations under finance leases

As at December 31, 2017, the Group's finance lease liabilities were repayable as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Within one year	**3,924**	20,596
In the second to fifth year	**136**	5,350
	4,060	25,946
Future finance charges on finance leases	**(420)**	(1,918)
Present value of finance lease liabilities	**3,640**	24,028

The present value of finance lease liabilities is as follows:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Within one year	**3,504**	19,073
In the second to fifth year	**136**	4,955
	3,640	24,028

The carrying amounts of the finance lease liabilities approximate their fair values. As at December 31, 2017, the Group has leased plant and machinery and motor vehicles under finance leases, details of which are set out in Note 14.

Notes to the Consolidated Financial Statements

26 Trade payables, other payables and accrued charges

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Trade and bills payables	**106,081**	153,696
Deposits received	**36,859**	30,947
Accrued employee benefit expenses	**78,124**	66,355
Accrued operating expenses	**66,546**	45,796
Provision for sales rebate and claim to customers	**13,017**	9,441
Payable for purchase of property, plant and equipment	**109,655**	68,326
Other payables and accruals	**57,028**	64,736
Total other payables and accrued charges	**361,229**	285,601

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

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
0 – 30 days	**44,212**	59,447
31 – 60 days	**20,387**	22,856
61 – 90 days	**10,285**	22,907
Over 90 days	**31,197**	48,486
	106,081	153,696

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
AUD	**4,664**	2,568
RMB	**100,433**	150,815
HKD	**325**	313
USD	**659**	–
	106,081	153,696

Notes to the Consolidated Financial Statements

27 Borrowings

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Current		
Collateralized borrowings of a financial institution *(Note 19)*	**155,602**	144,280
Other loans	**701,187**	415,263
	856,789	559,543
Non-current		
Other loans	**17,980**	–
Total	**874,769**	559,543

As at December 31, 2017, the effective interest rate of the interest-bearing borrowings was 6.29% per annum (December 31, 2016: 5.67% per annum).

The carrying amounts of all borrowings are carried at amortized cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the borrowings are denominated RMB.

The Group had the following undrawn borrowing facilities:

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Expiring within one year	**605,514**	35,294
Expiring in the second to fifth year inclusive	**–**	488,215
Total	**605,514**	523,509

Notes to the Consolidated Financial Statements

27 Borrowings *(Continued)*

The facilities expiring within one year are annual facilities subject to review at various dates during the year ending December 31, 2018.

During the year ended December 31, 2017, the Group's facilities were secured by the following:

(i) guarantees of the Company and certain subsidiaries during the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same);

(ii) guarantees of one of the joint chief executive officers and a former executive director of the Company;

(iii) guarantees of two state-owned enterprises of the PRC;

(iv) pledge of the Group's certain trade receivables (Note 19); and

(v) pledge of the Group's certain property, plant and equipment and land use rights (Note 14).

Notes to the Consolidated Financial Statements

28 Notes to consolidated statement of cash flows

(a) Cash generated from operations

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Loss before income tax	**(150,473)**	(195,676)
Adjustments for:		
– Gain on disposal of a subsidiary *(Note 9)*	**(421)**	–
– Loss on disposal of property, plant and equipment *(Note 6)*	**118**	769
– Depreciation of property, plant and equipment *(Note 14)*	**99,737**	98,511
– Provision for impairment on other prepayment and deposits *(Note 6)*	**–**	7,254
– Share of results of the investments accounted for using the equity method *(Note 16(b))*	**8,936**	7,359
– Impairment provision of the investments accounted for using the equity method *(Note 16(b))*	**2,780**	13,965
– Loss on disposal of investments accounted for using the equity method *(Note 6)*	**6,978**	–
– Write off of inventories *(Note 6)*	**3,177**	12,822
– Write down of trade receivables *(Note 19)*	**–**	2,822
– Amortization of prepaid land use rights *(Note 14)*	**6,254**	4,678
– Amortization of intangible assets *(Note 15)*	**–**	1,009
– Provision for impairment of intangible assets *(Note 15)*	**–**	19,741
– Interest expense on borrowings *(Note 10)*	**45,138**	27,324
– Interest element of finance leases *(Note 10)*	**1,503**	1,242
– Interest income on bank deposits *(Note 10)*	**(913)**	(2,940)
	22,814	(1,120)
Changes in working capital:		
– Inventories	**(46,387)**	(133,790)
– Trade and bills receivables, prepayments, deposits and other receivables	**(48,480)**	79,080
– Trade payables, other payables and accrued charges and deferred income	**(1,046)**	232,000
– Due from related companies	**(1,112)**	724
Cash (used in)/generated from operations	**(74,211)**	176,894

Notes to the Consolidated Financial Statements

28 Notes to consolidated statement of cash flows *(Continued)*

(b) An analysis of changes in obligations under finance leases is as follows:

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
At beginning of the year/period	**24,028**	1,765
Inception of new leases	**–**	44,873
Interest element of finance leases charged to consolidated statement of comprehensive income *(Note 10)*	**1,503**	1,242
Cash outflows	**(21,891)**	(23,852)
At end of the year/period	**3,640**	24,028

(c) An analysis of loss on disposal of property, plant and equipment is as follows:

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Net book amount *(Note 14)*	**18,927**	889
Loss on disposal of property, plant and equipment *(Note 6)*	**(118)**	(769)
Proceeds from disposal of property, plant and equipment	**18,809**	120

Notes to the Consolidated Financial Statements

28 Notes to consolidated statement of cash flows *(Continued)*

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At January 1, 2017	559,543	24,028	583,571
Changes from cash flows:			
Interest paid on borrowings	(49,526)	–	(49,526)
Interest paid on finance leases	–	(1,503)	(1,503)
Repayment of obligations under finance leases	–	(20,388)	(20,388)
Proceeds from borrowings	467,457	–	467,457
Repayment of borrowings	(199,570)	–	(199,570)
Total changes from financing cash flows:	218,361	(21,891)	196,470
Exchange adjustments:	47,339	–	47,339
Other changes:			
Interest expense on borrowings	45,138	–	45,138
Capitalised borrowing costs	4,388	–	4,388
Interest element of finance leases	–	1,503	1,503
Total other changes	96,865	1,503	98,368
At December 31, 2017	874,769	3,640	878,409

Comparative figures are not required as this is the first year of disclosure.

Notes to the Consolidated Financial Statements

29 Commitments

(a) Capital commitments

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Contracted but not provided for:		
– Property, plant and equipment	**311,103**	355,385

The Group won the bids and acquired the land use rights of eight parcels of land located in the Nanyang City. Pursuant to the land use right transfer agreements, the Group agreed to invest an aggregate sum of RMB2,890,590,000 (equivalent to approximately HK$3,655,273,000) in the Nanyang City. As of December 31, 2017, the Group had invested RMB1,579,252,000 (equivalent to approximately HK$1,892,907,000) in the Nanyang City (December 31, 2016: RMB1,571,547,000 (equivalent to approximately HK$1,763,801,000)).

Moreover, the Group also committed the project in Xinjiang, details of which are set out in Note 14, and the Group invested RMB108,254,000 (equivalent to approximately HK$129,754,000) therein as at December 31, 2017 (December 31, 2016: RMB69,702,000 (equivalent to approximately HK$78,229,000)).

(b) Operating lease commitments

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

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
Within one year	**15,175**	13,878
In the second to fifth year inclusive	**26,225**	7,517
	41,400	21,395

As at December 31, 2017, the Company did not have any significant commitments (December 31, 2016: Same).

Notes to the Consolidated Financial Statements

30 Related party transactions

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

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the year ended December 31, 2017 and fifteen months ended December 31, 2016.

During the year, the Group incurred service fee of HK$2,969,000 (period ended December 31, 2016: HK$840,000) to a related company controlled by certain directors of the Company.

(i) Sales of goods

	Notes	**Year ended December 31, 2017 HK$'000**	Fifteen months ended December 31, 2016 HK$'000
Sales of aluminium extrusion materials			
Guangzhou Rongjin Curtain Wall Co., Ltd.	*(a), (b)*	**–**	739
Investments accounted for using equity method:			
OPLV (Shanghai) Doors and Windows System Co., Ltd.	*(b)*	**3,456**	4,266
Yunnan OXLD Windows Co., Ltd.	*(b)*	**4,884**	4,093
Hunan OPLV Doors and Windows Systems Co., Ltd.	*(b)*	**5,254**	9,668
OPLV (Anhui) Doors and Windows Systems Co., Ltd.	*(b)*	**3,495**	1,506
OPLV (Hubei) Doors and Windows Systems Co., Ltd.	*(b)*	**6,697**	1,320
Gansu OPLV Jiapin Entire System Doors and Windows Co., Ltd.	*(b)*	**4,245**	20
OPLV (Hainan) Doors and Windows Systems Co., Ltd	*(b)*	**2,115**	–

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

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000
Salaries, bonus and allowances	**16,681**	19,278
Contributions to defined contribution plans	**147**	156
	16,828	19,434

Notes to the Consolidated Financial Statements

31 Disposal of a subsidiary

During the year, the Group disposed of its entire 51% equity interest in Shaanxi Lumy House Co., Ltd ("**Shaanxi Lumy**") to the non-controlling shareholder of Shaanxi Lumy, for HK$Nil consideration. The financial position of Shaanxi Lumy at the date of disposal was as follows:

	2017 HK$'000
Inventories	491
Other payables	(992)
Non-controlling interest	80
	(421)
Gain on disposal of a subsidiary	421
Total consideration	–
Satisfied by:	
Cash	–
Net cash flow arising on disposal	–

32 Events after the reporting period

Save as disclosed elsewhere in the consolidated financial statements, the following events took place subsequently to December 31, 2017:

(a) 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 would be 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.

(b) Disposal of Leading Sense

The Group's 45% equity interest in Leading Sense has been disposed of with effective on June 26, 2018, further details of which are set out in Note 2.1.3(C).

Notes to the Consolidated Financial Statements

33 Statement of financial position and reserve movement of the Company

	December 31, 2017 HK$'000	December 31, 2016 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**–**	–
Current assets		
Due from a subsidiary	**999,229**	1,116,042
Cash and cash equivalents	**4**	4
	999,233	1,116,046
Total assets	**999,233**	1,116,046
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**120,000**	120,000
Reserves	**878,609**	995,722
Total equity	**998,609**	1,115,722
LIABILITIES		
Current liabilities		
Other payables and accrued charges	**624**	324
Total liabilities	**624**	324
Total equity and liabilities	**999,233**	1,116,046

The statement of financial position was approved by the Board of Directors on July 3, 2018.

Shao Liyu
Director

Wong Kwok Wai Eddy
Director

Notes to the Consolidated Financial Statements

33 Statement of financial position and reserve movement of the Company *(Continued)*

	Share premium HK$'000	Shares held for share award scheme HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at January 1, 2017	1,001,287	(774)	828,317	(833,108)	995,722
Comprehensive income:					
Loss for the year	–	–	–	(117,113)	(117,113)
Total comprehensive income for the year	–	–	–	(117,113)	(117,113)
Balance at December 31, 2017	1,001,287	(774)	828,317	(950,221)	878,609
Balance at October 1, 2015	1,001,287	(774)	828,317	(523,366)	1,305,464
Comprehensive income:					
Loss for the period	–	–	–	(309,742)	(309,742)
Total comprehensive income for the period	–	–	–	(309,742)	(309,742)
Balance at December 31, 2016	1,001,287	(774)	828,317	(833,108)	995,722

Notes to the Consolidated Financial Statements

34 Benefits and interests of directors

The emoluments of individual directors of the Company during the year ended December 31, 2017 and the fifteen months ended December 31, 2016 were set out as follows:

Year ended December 31, 2017	Fees HK$'000	Salaries and allowances HK$'000	Share award scheme HK$'000	Discretionary and retirement bonus HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Name of directors						
Executive directors:						
Ms. Shao Liyu ("**Ms. Shao**") *(Note i)*	120	6,840	–	–	5	6,965
Mr. Chan Kai Lun Allan *(Note ii)*	90	1,260	–	–	14	1,364
Mr. Zhu Hongtao ("**Mr. Zhu**") *(Note iii)*	120	2,118	–	–	5	2,243
Mr. Ma Yu Yan ("**Mr. Ma**") *(Note iv)*	43	601	–	–	–	644
Non-executive directors:						
Mr. Cosimo Borrelli *(Note v)*	360	–	–	–	–	360
Ms. Chi Lai Man Jocelyn *(Note vi)*	360	–	–	–	–	360
Independent non-executive directors						
Mr. Mar Selwyn *(Note vii)*	323	–	–	–	–	323
Mr. Chan Kai Nang *(Note viii)*	305	–	–	–	–	305
Mr. Leung Ka Tin *(Note ix)*	305	–	–	–	–	305
Mr. Choi Tze Kit Sammy *(Note x)*	41	–	–	–	–	41
Mr. Lam Kwok Fai Osmond *(Note xi)*	79	–	–	–	–	79
Mr. Tang Warren Louis *(Note xii)*	79	–	–	–	–	79
	2,225	10,819	–	–	24	13,068

Notes to the Consolidated Financial Statements

34 Benefits and interests of directors *(Continued)*

Fifteen months ended December 31, 2016	Fees HK$'000	Salaries and allowances HK$'000	Share award scheme HK$'000	Discretionary and retirement bonus HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Name of directors						
Executive directors:						
Ms. Shao Liyu ("**Ms. Shao**") *(Note i)*	150	6,036	–	–	5	6,191
Mr. Zhu Hongtao ("**Mr. Zhu**") *(Note iii)*	150	3,787	–	–	5	3,942
Mr. Ma Yu Yan ("**Mr. Ma**") *(Note iv)*	150	2,200	–	–	–	2,350
Non-executive directors:						
Mr. Cosimo Borrelli *(Note v)*	180	–	–	–	–	180
Ms. Chi Lai Man Jocelyn *(Note vi)*	180	–	–	–	–	180
Independent non-executive directors						
Mr. Tsang Wah Kwong ("**Mr. Tsang**") *(Note xiii)*	154	–	–	–	–	154
Mr. Tsang Ming Chit Stanley *(Note xiv)*	130	–	–	–	–	130
Mr. Ching Yu Lung *(Note xv)*	148	–	–	–	–	148
Mr. Choi Tze Kit Sammy *(Note x)*	320	–	–	–	–	320
Mr. Lam Kwok Fai Osmond *(Note xi)*	281	–	–	–	–	281
Mr. Tang Warren Louis *(Note xii)*	281	–	–	–	–	281
Mr. Cheung Chun Sing Horatic *(Note xvi)*	36	–	–	–	–	36
	2,160	12,023	–	–	10	14,193

Notes to the Consolidated Financial Statements

34 Benefits and interests of directors *(Continued)*

Notes:

(i) Ms. Shao was appointed as the chief executive officer ("**CEO**") on April 22, 2015 and was the chairlady of the Company during the period from December 16, 2014 to November 8, 2017, respectively. She resigned as the chairlady of the Company on November 9, 2017.

(ii) Mr. Chan Kai Lun Allan was appointed as an executive director on March 27, 2017 and resigned on May 11, 2018.

(iii) Mr. Zhu was appointed as an executive director on January 1, 2015. He retired as an executive director on January 24, 2018.

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

(v) Mr. Cosimo Borrelli was appointed as a non-executive director on May 27, 2016 and non-executive chairman on November 9, 2017.

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

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

(viii) Mr. Chan Kai Nang was appointed as an independent non-executive director on February 24, 2017 and retired on January 24, 2018.

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

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

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

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

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

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

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

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

(xvii) Mr. Wong Kwok Wai Eddy was appointed as an executive director on March 2, 2018.

(xviii) Dr. Cheung Wah Keung was appointed as an independent non-executive director on March 22, 2018.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies comprising the Group during the year ended December 31, 2017 (fifteen months ended December 31, 2016: Same).

Financial Summary

Consolidated Results

	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000	Year ended September 30, 2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**1,778,683**	2,236,024	1,821,850	2,826,639	2,583,735
(Loss)/profit before income tax	**(150,473)**	(195,676)	(313,692)	31,022	179,700
Income tax (expense)/credit	**(7,989)**	(38,023)	(22,985)	(28,457)	33,831
(Loss)/profit for the year	**(158,462)**	(233,699)	(336,677)	2,565	213,531
Other comprehensive income	**46,812**	(85,439)	(30,691)	(1,991)	12,259
Total comprehensive income attributable to equity holders of the Company	**(109,567)**	(317,354)	(367,368)	574	225,790
(Loss)/earnings per share (HK cents)	**(13.0)**	(19.3)	(28.1)	0.2	19.5

Consolidated Assets and Liabilities

	December 31,		September 30,		
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Total assets	**2,472,998**	2,223,477	2,133,547	2,653,213	2,555,957
Total liabilities	**1,474,389**	1,114,001	708,083	860,381	763,203
Net assets attributable to equity holders of the Company	**998,543**	1,108,110	1,425,464	1,792,832	1,792,754