



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

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

## INTERIM REPORT 2019



This Interim Report is printed on environmentally friendly paper

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# Corporate Information

## **DIRECTORS**

### **Executive Directors**

Ms. Li Jiewen

(Chief Executive Officer)

Mr. Wong Kwok Wai Eddy

(Chief Commercial Officer)

Mr. Gao Mingjie

### **Independent Non-executive Directors**

Mr. Mar Selwyn

Mr. Leung Ka Tin

Dr. Cheung Wah Keung

(Independent Non-Executive Chairman)

## **BOARD COMMITTEES**

### **Audit Committee**

Mr. Mar Selwyn (Chairman)

Mr. Leung Ka Tin

Dr. Cheung Wah Keung

### **Remuneration Committee**

Dr. Cheung Wah Keung (Chairman)

Mr. Mar Selwyn

Mr. Leung Ka Tin

Ms. Li Jiewen

### **Nomination Committee**

Mr. Leung Ka Tin (Chairman)

Mr. Mar Selwyn

Dr. Cheung Wah Keung

Ms. Li Jiewen

## **AUTHORIZED REPRESENTATIVES**

Ms. Li Jiewen

Dr. Cheung Wah Keung

## **COMPANY SECRETARY**

Ms. Kwok Ka Huen

## **REGISTERED OFFICE**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

## **STOCK CODE**

2078

# Corporate Information

## PLACE OF LISTING

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 06, 28/F, Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon,  
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

Wucaiwan East Hope Aluminium  
Industrial Park  
Changji Zhudong Economic and  
Technological Development Zone  
Xinjiang Province  
PRC

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANKERS

Agricultural Bank of China  
China CITIC Bank, Nanyang Branch  
Bank of Communications, Nanyang Branch  
Bank of China Macau branch  
Guangzhou Rural Commercial Bank,  
Zengcheng Branch

## INDEPENDENT AUDITOR

BDO Limited

## LEGAL ADVISERS

**As to Hong Kong law:**  
Stevenson, Wong & Co.

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

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

## WEBSITE

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

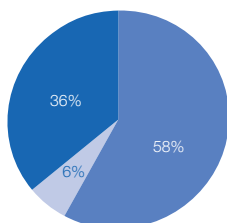
Note: Information in this section is as the date of this report.

# Financial Highlights and Key Financial Ratios

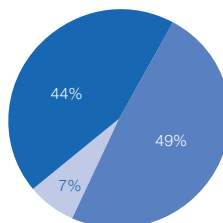
	For the six months ended June 30,		
	2019 (Unaudited)	2018 (Unaudited)	Change in %
Revenue	<b>HK\$736 million</b>	HK\$809 million	9.1%
Loss attributable to owners of the Company	<b>(HK\$215 million)</b>	(HK\$129 million)	67.0%
Gross Profit Margin	<b>4.2%</b>	7.1%	
Loss per Share (HK cents)	<b>(17.9)</b>	(10.7)	
Return on equity	<b>(40.3%)</b>	(14.9%)	
Interest Coverage Ratio	<b>(2.3)</b>	(3.0)	

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Current Ratio	<b>0.78</b>	0.60
Quick Ratio	<b>0.53</b>	0.41
Gearing Ratio	<b>59.8%</b>	42.5%
Debt to Equity Ratio	<b>238.3%</b>	116.1%

## ANALYSIS OF REVENUE BY PRODUCTS



2019

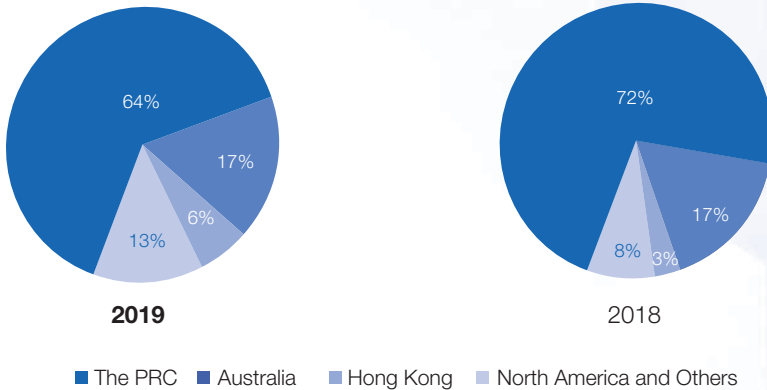


2018

■ Electronics Parts ■ Construction and Industrial Products ■ Door and Window Frames Systems

# Financial Highlights and Key Financial Ratios

## ANALYSIS OF REVENUE BY GEOGRAPHICAL LOCATIONS



- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit attributable to owners of the Company for the Period divided by equity attributable to owners of the Company and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.
- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on total borrowings and obligations under finance leases divided by total assets 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%.

The Board of Directors (“**Directors**”) of the Company (“**Board**”) did not declare an interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil).

# Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2019

		Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	990,159	958,941
Land use rights		269,125	278,598
Right-of-use assets		23,841	–
Investment properties		12,003	–
Deposits and lease prepayments		1,316	1,587
Prepayments for property, plant and equipment		60,380	80,027
		<u>1,356,824</u>	<u>1,319,153</u>
<b>Current assets</b>			
Inventories		293,251	243,523
Trade and bills receivables	9	430,174	419,977
Prepayments, deposits and other receivables		95,830	81,604
Pledged bank deposits		3,138	3,635
Cash and cash equivalents		85,041	22,720
		<u>907,434</u>	<u>771,459</u>
<b>Total assets</b>		<u><b>2,264,258</b></u>	<u><b>2,090,612</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	10	120,000	120,000
Reserves		412,814	624,888
Equity attributable to owners of the Company		<u>532,814</u>	<u>744,888</u>
<b>Total equity</b>		<u><b>532,814</b></u>	<u><b>744,888</b></u>

# Condensed Consolidated Interim Statement of Financial Position

As at June 30, 2019

		Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	11	551,927	70,509
Lease liabilities		<u>10,487</u>	<u>–</u>
		<u>562,414</u>	<u>70,509</u>
<b>Current liabilities</b>			
Trade payables	12	63,602	98,375
Contract liabilities, other payables and accrued charges		198,621	236,511
Due to a director	20	644	6,645
Borrowings	11	802,687	816,965
Lease liabilities		12,694	–
Obligations under finance leases – current portion		–	136
Deferred income on government grants		18,215	18,469
Current income tax liabilities		<u>72,567</u>	<u>98,114</u>
		<u>1,169,030</u>	<u>1,275,215</u>
<b>Total liabilities</b>		<u>1,731,444</u>	<u>1,345,724</u>
<b>Total equity and liabilities</b>		<u>2,264,258</u>	<u>2,090,612</u>

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



# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2019

	<i>Notes</i>	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	<b>Unaudited six months ended June 30, 2018 HK\$'000</b>
Revenue	7	<b>735,787</b>	809,245
Cost of sales	7	<b>(704,707)</b>	(751,680)
<b>Gross profit</b>		<b>31,080</b>	57,565
Distribution and selling expenses	13	<b>(33,109)</b>	(34,490)
Administrative expenses	13	<b>(151,955)</b>	(112,969)
Other income		<b>7,998</b>	7,344
Other losses – net	14	<b>(2,582)</b>	(13,031)
<b>Operating loss</b>		<b>(148,568)</b>	(95,581)
Finance income	15	<b>69</b>	127
Finance costs	15	<b>(63,551)</b>	(32,241)
Finance costs – net	15	<b>(63,482)</b>	(32,114)
Share of results of investments accounted for using the equity method		<b>–</b>	(236)
<b>Loss before income tax</b>		<b>(212,050)</b>	(127,931)
Income tax expense	16	<b>(2,591)</b>	(641)
<b>Loss for the Period</b>		<b>(214,641)</b>	(128,572)
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(214,641)</b>	(128,506)
– Non-controlling interests		<b>–</b>	(66)
		<b>(214,641)</b>	(128,572)

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2019

	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	Unaudited six months ended June 30, 2018 HK\$'000
<i>Notes</i>		
<b>Loss for the Period</b>	<b>(214,641)</b>	(128,572)
<b>Other comprehensive income:</b>		
<b>Item that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences	<b>2,678</b>	(8,445)
<b>Item that will not be reclassified to profit or loss:</b>		
Change in fair value of investment property	<b>(111)</b>	–
<b>Total comprehensive income for the Period</b>	<b>(212,074)</b>	(137,017)
<b>Loss per share for loss attributable to the equity holders of the Company</b> (Basic and diluted HK cents per share)	<b>(17.9)</b>	(10.7)

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

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2019

	Unaudited							Total equity HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Revaluation reserves HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	
<b>Balance at January 1, 2019</b>	120,000	1,001,287	(774)	-	(29,985)	(345,640)	-	744,888
Loss for the Period	-	-	-	-	-	(214,641)	-	(214,641)
Other comprehensive income:								
Currency translation differences	-	-	-	-	2,678	-	-	2,678
Change in fair value of investment property	-	-	-	(111)	-	-	-	(111)
Total comprehensive income for the Period	-	-	-	(111)	2,678	(214,641)	-	(212,074)
<b>Balance at June 30, 2019</b>	<b>120,000</b>	<b>1,001,287</b>	<b>(774)</b>	<b>(111)</b>	<b>(27,307)</b>	<b>(560,281)</b>	<b>-</b>	<b>532,814</b>

	Unaudited							Total equity HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Revaluation reserves HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	
<b>Balance at January 1, 2018</b>	120,000	1,001,287	(774)	-	(9,793)	(112,177)	66	998,609
Loss for the Period	-	-	-	-	-	(128,506)	(66)	(128,572)
Other comprehensive income:								
Currency translation differences	-	-	-	-	(8,445)	-	-	(8,445)
Total comprehensive income for the Period	-	-	-	-	(8,445)	(128,506)	(66)	(137,017)
<b>Balance at June 30, 2018</b>	<b>120,000</b>	<b>1,001,287</b>	<b>(774)</b>	<b>-</b>	<b>(18,238)</b>	<b>(240,683)</b>	<b>-</b>	<b>861,592</b>

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

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2019

	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	Unaudited six months ended June 30, 2018 HK\$'000
Net cash (used in)/generated from operating activities	<b>(271,158)</b>	37,659
Net cash used in investing activities	<b>(76,229)</b>	(29,207)
Net cash generated from financing activities	<b>410,534</b>	55,098
Net increase in cash and cash equivalents	<b>63,147</b>	63,550
Cash and cash equivalents at beginning of the Period	<b>22,720</b>	26,336
Exchange losses on cash and cash equivalents	<b>(826)</b>	(3,823)
Cash and cash equivalents at end of the Period	<b>85,041</b>	86,063

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

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 GENERAL INFORMATION

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

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

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. This condensed consolidated interim financial information has been reviewed by the Audit Committee but not audited, and it was approved for issue by the board of Directors (“**Board**”) on August 20, 2019.

## 2 KEY EVENTS

As disclosed in the annual report of 2018, the predecessor auditor of the Company identified certain matters during the course of its audit of the consolidated financial statements of the Company for the year ended September 30, 2014 and an investigation on certain matters by an independent professional advisor was undertaken. The basis for qualified opinion is set out in the 2016, 2017 and 2018 Independent Auditors Reports.

## 3 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2019 has been prepared in accordance with HKAS 34 ‘Interim Financial Reporting’. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

# Notes to the Condensed Consolidated Interim Financial Statements

## 4 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2018, as described in those annual consolidated financial statements.

**(a) Estimation of income tax:**

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

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

## 4 ACCOUNTING POLICIES *(Continued)*

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

#### 4.1. Adoption of HKFRS 16

##### **Impacts on transition**

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at January 1, 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at January 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

# Notes to the Condensed Consolidated Interim Financial Statements

## 4 ACCOUNTING POLICIES (Continued)

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

#### 4.1. Adoption of HKFRS 16 (Continued)

#### (i) The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

	Increase HK\$'000 (Unaudited)
<b>Assets</b>	
Increase in right-of-use assets	<u>29,356</u>
<b>Increase in total assets</b>	<u><u>29,356</u></u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>29,356</u>
<b>Increase in total liabilities</b>	<u><u>29,356</u></u>

#### (ii) Nature of the effect of adoption of HKFRS 16

The lease liabilities as at January 1, 2019 reconciled to the operating leases commitments as at December 31, 2018 is as follows:

	HK\$'000 (Unaudited)
Operating lease commitments as at December 31, 2018	<b>32,355</b>
Incremental borrowing rate as at January 1, 2019	<b>7.24%</b>
Discounted operating lease commitments as at January 1, 2019	<u>29,356</u>
Lease liabilities as at January 1, 2019	<u><u>29,356</u></u>



## 4 ACCOUNTING POLICIES *(Continued)*

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

#### 4.1. Adoption of HKFRS 16 *(Continued)*

##### (ii) **Nature of the effect of adoption of HKFRS 16** *(Continued)*

###### *Summary of new accounting policies*

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from January 1, 2019:

###### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

###### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

## 4 ACCOUNTING POLICIES *(Continued)*

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

#### 4.1. Adoption of HKFRS 16 *(Continued)*

#### (ii) Nature of the effect of adoption of HKFRS 16 *(Continued)*

##### *Lease liabilities (Continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

##### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease for additional terms of certain years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

# Notes to the Condensed Consolidated Interim Financial Statements

## 4 ACCOUNTING POLICIES *(Continued)*

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

#### 4.1. Adoption of HKFRS 16 *(Continued)*

#### (iii) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets HK\$'000 (Unaudited)	Lease liabilities HK\$'000 (Unaudited)
As at January 1, 2019	29,356	29,356
Depreciation charge	(5,488)	-
Interest expense	-	796
Payments	-	(6,947)
Exchange realignment	(27)	(24)
As at June 30, 2019	23,841	23,181

# Notes to the Condensed Consolidated Interim Financial Statements

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018.

### 5.2 Liquidity risk

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

### 5.3 Commodity price risk on aluminium

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

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

### 5.4 Fair value estimation

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

## 6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, except as described below, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended December 31, 2018.

# Notes to the Condensed Consolidated Interim Financial Statements

## 7 REVENUE AND SEGMENT INFORMATION

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

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

The Group derives its revenue from three product segments, namely the electronics parts, construction and industrial products and door and window frames systems 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:

<b>Reportable product segment</b>	<b>Type of products</b>
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
Door and Window Frames Systems	Door and window frames systems sold through distributors

# Notes to the Condensed Consolidated Interim Financial Statements

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

The segment information for the operating segments for the six months ended June 30, 2019 is as follows:

	Unaudited			Total HK\$'000
	Electronics parts HK\$'000	Construction and industrial products HK\$'000	Door and Window Frames Systems HK\$'000	
Sales to external customers	263,398	429,719	42,670	735,787
Cost of sales	<u>(234,111)</u>	<u>(423,543)</u>	<u>(47,053)</u>	<u>(704,707)</u>
Segment gross profit	29,287	6,176	(4,383)	31,080
Unallocated operating costs				(185,064)
Other income				7,998
Other losses – net				(2,582)
Finance costs – net				<u>(63,482)</u>
Loss before income tax				<u><u>(212,050)</u></u>

# Notes to the Condensed Consolidated Interim Financial Statements

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

The segment information for the operating segments for the six months ended June 30, 2018 is as follows:

	Unaudited			Total HK\$'000
	Electronics parts HK\$'000	Construction and industrial products HK\$'000	Door and Window Frames Systems HK\$'000	
Sales to external customers	360,866	394,745	53,634	809,245
Cost of sales	<u>(314,422)</u>	<u>(387,591)</u>	<u>(49,667)</u>	<u>(751,680)</u>
Segment gross profit	46,444	7,154	3,967	57,565
Unallocated operating costs				(147,459)
Other income				7,344
Other losses – net				(13,031)
Finance costs – net				(32,114)
Share of results of investments accounted for using the equity method				<u>(236)</u>
Loss before income tax				<u>(127,931)</u>

# Notes to the Condensed Consolidated Interim Financial Statements

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

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the six months ended June 30, 2019 and 2018 consists of the following:

	Unaudited six months ended June 30, 2019					
	The PRC HK\$'000	Australia HK\$'000	North	Hong	Others HK\$'000	Total HK\$'000
			America HK\$'000	Kong HK\$'000		
Sales to external customers	468,878	122,799	29,249	47,262	67,599	735,787
Cost of sales	<u>(461,745)</u>	<u>(106,858)</u>	<u>(21,165)</u>	<u>(41,142)</u>	<u>(73,797)</u>	<u>(704,707)</u>
Gross profit	<u>7,133</u>	<u>15,941</u>	<u>8,084</u>	<u>6,120</u>	<u>(6,198)</u>	<u>31,080</u>

	Unaudited six months ended June 30, 2018					
	The PRC HK\$'000	Australia HK\$'000	North	Hong	Others HK\$'000	Total HK\$'000
			America HK\$'000	Kong HK\$'000		
Sales to external customers	585,431	138,901	32,510	27,284	25,119	809,245
Cost of sales	<u>(554,583)</u>	<u>(123,125)</u>	<u>(25,709)</u>	<u>(24,207)</u>	<u>(24,056)</u>	<u>(751,680)</u>
Gross profit	<u>30,848</u>	<u>15,776</u>	<u>6,801</u>	<u>3,077</u>	<u>1,063</u>	<u>57,565</u>



# Notes to the Condensed Consolidated Interim Financial Statements

## 8 PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	Audited year ended December 31, 2018 HK\$'000
Opening net book amount	<b>958,941</b>	1,062,722
Exchange differences	<b>(2,681)</b>	(50,430)
Additions	<b>94,708</b>	69,963
Transfer to investment property	<b>(6,905)</b>	–
Disposals	<b>(3,492)</b>	(11,099)
Disposal of subsidiaries	<b>–</b>	(14,891)
Depreciation (Note 13)	<b>(50,412)</b>	(97,324)
Closing net book amount	<b><u>990,159</u></b>	<u>958,941</u>

## 9 TRADE AND BILLS RECEIVABLES

	<b>Unaudited June 30, 2019 HK\$'000</b>	Audited December 31, 2018 HK\$'000
Trade receivables – net	<b>422,254</b>	419,977
Bills receivables	<b>7,920</b>	–
Trade and bills receivables – net	<b><u>430,174</u></b>	<u>419,977</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 TRADE AND BILLS RECEIVABLES *(Continued)*

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 90 days (2018: Same). The Group does not hold any collateral as security.

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

	<b>Unaudited June 30, 2019 HK\$'000</b>	Audited December 31, 2018 HK\$'000
Current	<b>293,990</b>	308,551
1 – 30 days	<b>59,885</b>	61,929
31 – 60 days	<b>14,185</b>	25,617
61 – 90 days	<b>11,309</b>	7,972
91 – 180 days	<b>34,406</b>	6,421
181 days – 1 year	<b>11,719</b>	3,214
More than 1 year	<b>4,680</b>	6,273
	<b>430,174</b>	419,977

As at June 30, 2019, receivables of HK\$293,990,000 were neither past due nor impaired (as at December 31, 2018: HK\$308,551,000). These receivables relate to customers for whom there is no recent history of default.

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK\$83,252,000 to financial institution or bank in exchange for cash as at June 30, 2019 (as at December 31, 2018: HK\$111,930,000). The transactions have been accounted for as collateralized borrowings (Note 11).

As at June 30, 2019, all trade receivables were non-interest bearing (as at December 31, 2018: Same).

# Notes to the Condensed Consolidated Interim Financial Statements

## 10 SHARE CAPITAL

	Unaudited June 30, 2019		Audited December 31, 2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorized:				
Ordinary shares of HK\$0.10 each	<u>2,400,000,000</u>	<u>240,000</u>	<u>2,400,000,000</u>	<u>240,000</u>
Issued and fully paid:	<u>1,200,000,000</u>	<u>120,000</u>	<u>1,200,000,000</u>	<u>120,000</u>

## 11 BORROWINGS

	Unaudited June 30, 2019 HK\$'000	Audited December 31, 2018 HK\$'000
Current		
Collateralized borrowings of a financial institution (Note 9)	<b>61,788</b>	90,161
Other loans	<b>740,899</b>	726,804
	<b>802,687</b>	816,965
Non-current		
Other loans	<b>551,927</b>	70,509
Total	<b>1,354,614</b>	887,474

As at June 30, 2019, the effective interest rate of the interest-bearing borrowings was 8.17% per annum (as at December 31, 2018: 7.24% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

As at June 30, 2019, the Group's banking facilities were secured by the pledge of the Group's land use rights, property, plant & equipment and trade receivables (as at December 31, 2018: Same).

# Notes to the Condensed Consolidated Interim Financial Statements

## 12 TRADE PAYABLES

As at June 30, 2019 and December 31, 2018, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	<b>Unaudited June 30, 2019 HK\$'000</b>	Audited December 31, 2018 HK\$'000
0 – 30 days	<b>24,602</b>	37,711
31 – 60 days	<b>18,018</b>	40,211
61 – 90 days	<b>7,978</b>	5,675
Over 90 days	<b>13,004</b>	14,778
	<b>63,602</b>	98,375

## 13 EXPENSES BY NATURE

	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	Unaudited six months ended June 30, 2018 HK\$'000
Operating loss is stated after charging/ (crediting) the following:		
Auditor's remuneration – current period	<b>2,350</b>	2,350
Cost of inventories recognized as expenses	<b>704,707</b>	751,680
Employee benefit expenses (include wages and salaries)	<b>161,788</b>	141,399
Depreciation of property, plant and equipment (Note 8)	<b>50,412</b>	49,146
Depreciation of right-of-use assets	<b>5,488</b>	–
Amortization of land use rights	<b>3,373</b>	3,507

# Notes to the Condensed Consolidated Interim Financial Statements

## 14 OTHER LOSSES – NET

	Unaudited six months ended June 30, 2019 HK\$'000	Unaudited six months ended June 30, 2018 HK\$'000
Net exchange losses	(2,582)	(13,056)
Gain on disposal of a subsidiary	–	25
	<u>(2,582)</u>	<u>(13,031)</u>

## 15 FINANCE INCOME AND COSTS

	Unaudited six months ended June 30, 2019 HK\$'000	Unaudited six months ended June 30, 2018 HK\$'000
Interest income:		
Interest income on bank deposits	<u>69</u>	<u>127</u>
Finance income	<u>69</u>	<u>127</u>
Interest expenses:		
Interest expense on lease liabilities	(796)	–
Interest expense on borrowings	(62,754)	(31,985)
Interest element of finance leases	<u>(1)</u>	<u>(256)</u>
Finance costs	<u>(63,551)</u>	<u>(32,241)</u>
Finance costs – net	<u>(63,482)</u>	<u>(32,114)</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 16 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the six months ended June 30, 2019 (2018: same).

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the six months ended June 30, 2019 (2018: same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore) Limited is exempted from Macao Complementary Tax during the six months ended June 30, 2019 (2018: Same).

	Unaudited six months ended June 30, 2019 HK\$'000	Unaudited six months ended June 30, 2018 HK\$'000
Hong Kong profits tax		
– current period	(2,591)	(641)
Overseas taxation		
– current period	–	–
	<u>(2,591)</u>	<u>(641)</u>

## 17 DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2019 and 2018.

# Notes to the Condensed Consolidated Interim Financial Statements

## 18 LOSS PER SHARE

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

	<b>Unaudited six months ended June 30, 2019</b>	Unaudited six months ended June 30, 2018
Loss attributable to equity holders of the Company (HK\$'000)	<u>(214,641)</u>	<u>(128,506)</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	<u>1,199,405</u>	<u>1,199,405</u>
Basic loss per share (HK cents)	<u>(17.9)</u>	<u>(10.7)</u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended June 30, 2019 and 2018, respectively.

## 19 CAPITAL COMMITMENTS

	<b>Unaudited June 30, 2019 HK\$'000</b>	Audited December 31, 2018 HK\$'000
Contracted but not provided for – property, plant and equipment	<u>228,740</u>	<u>278,870</u>

# Notes to the Condensed Consolidated Interim Financial Statements

## 20 RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in the consolidated interim financial information, the Group had the following related party transactions during the six months ended June 30, 2019 and 2018:

During the Period, the Group incurred service fee of HK\$Nil (2018: HK\$2,305,000) to a related company controlled by certain directors of the Company.

### (i) Sales of goods

		<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	<b>Unaudited six months ended June 30, 2018 HK\$'000</b>
Investments accounted for using equity method:			
Gansu OPLV Jiapin Entire System Doors and Windows Co., Ltd.	(a)	–	3,414
OPLV (Hainan) Doors and Windows Systems Co., Ltd.	(a)	–	426

<sup>1</sup> The English name of the related company established in the PRC represents the best effort by management of the Company in translating its Chinese name as it does not have official English name.

Note:

(a) In the opinion of the executive directors, these transactions were entered into in the normal course of business of the Group at terms mutually agreed by the parties concerned.



# Notes to the Condensed Consolidated Interim Financial Statements

## 20 RELATED PARTY TRANSACTIONS (Continued)

### (ii) Key management compensation

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

	<b>Unaudited six months ended June 30, 2019 HK\$'000</b>	Unaudited six months ended June 30, 2018 HK\$'000
Salaries, bonus and allowances	<b>7,476</b>	5,458
Pension	<b>130</b>	92
	<b>7,606</b>	5,550

### (iii) Due to a director

The balance was unsecured, interest-free and repayable on demand. The carrying amount approximated its fair value.

# Management Discussion and Analysis

## OVERVIEW

### Business and Financial Overview

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

The total operating revenue of the Group for the first six months ended June 30, 2019 ("Period") was HK\$736 million (2018 Period: HK\$809 million), representing a decrease of 9.1% as compared with the six months ended June 30, 2018 ("2018 Period"). The Group's overall gross profit margin was 4.2% for the Period which is lower than 2018 Period of 7.1%. Net loss after tax attributable to shareholders was HK\$215 million (2018 Period: HK\$129 million).

### Electronics Parts

The Electronics Parts segment contributed HK\$263 million to the total revenue of the Group, representing a decrease of 27.0% as compared with HK\$361 million for the 2018 Period. The gross profit margin of the Electronics Parts has decreased from 12.9% for the 2018 Period to 11.1% for the Period.

### Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK\$430 million (2018 Period: HK\$395 million) and 1.4% (2018 Period: 1.8%) for the Period respectively. The segment experienced an increase in revenue but a decrease in gross profit margin in the Period and the sales to other regions (include the Europe) had increased 169% for the Period. The increasing prices of raw materials and other manufacturing cost have reduced the gross profit margin of the Construction and Industrial Products segment.

### Door and Window Frames Systems

The Door and Window Frames Systems segment contributed HK\$43 million to the total revenue of the Group, representing a decrease of 20.4% as compared with HK\$54 million for the 2018 Period. The gross profit margin of the Door and Window Frames Systems has decreased from gross profit margin of 7.4% for the 2018 Period to gross loss margin of 10.3% for the Period.

# Management Discussion and Analysis

## **Cost of sales**

With the decrease in sales, cost of sales decreased by 6.2% from HK\$752 million for the 2018 Period to HK\$705 million for the Period.

## **Gross profit**

Gross profit declined by 46.0% from HK\$58 million for the 2018 Period to HK\$31 million for the Period, there was a decrease in gross profit margin from 7.1% for the 2018 Period to 4.2% for the Period, due to (i) a decrease in turnover for the Period; (ii) increase in prices of raw materials and manufacturing cost; and (iii) commencing of new production line in Nanyang and Xinjiang.

## **Distribution and selling expenses**

Distribution and selling expenses decreased from HK\$34 million for the 2018 Period to HK\$33 million for the Period. It consists of mainly transportation expenses and staff related expenses.

## **Administrative expenses**

Administrative expenses increased from HK\$113 million for the 2018 Period to HK\$152 million for the Period. It was mainly due to increase in operating expenses especially the increase in employee benefit expenses.

## **Other losses – net**

Other losses changed from HK\$13 million for the 2018 Period to HK\$3 million for the Period. The loss was mainly due to the depreciation of Renminbi (“RMB”) against HKD during the Period which the Group had suffered exchange losses.

## **Finance income**

Finance income was HK\$0.1 million, which was similar to the 2018 Period. It mainly comprised of interest income.

## **Finance costs**

Finance costs amounted to approximately HK\$64 million for the Period compared to HK\$32 million for 2018 Period. The increase in finance cost is due to the increase in borrowing associated with the Group’s on-going acquisition and expansion.

## **Income tax expenses**

Income tax expenses of HK\$3 million was mainly incurred in Hong Kong for the Period.

# 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 established subsidiaries in different countries like UK and Singapore and continued to expand our footprint in various regions, laying a solid foundation for the Group’s future business development.

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

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.

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. After further discussion and negotiation with relevant government authorities or potential investors, the Group considered that it is likely to be further benefitted from this situation in term of the potential increase in value of the Zengcheng land. The relocation process of the Zengcheng production plant is still under progress.

Phase 2 of the Group’s integrated manufacturing facility for the anodising process of the Group’s product in Nanyang begun production on April 20, 2019. Details for 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.

# Management Discussion and Analysis

Furthermore, 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 aluminum rods and aluminium rolled products (“**Xinjiang Project**”). On December 18, 2015, the Group entered into an agreement with Jimsar Bureau of Land and Resources 吉林薩爾縣國土資源局 (“**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.

Phase 1 of the manufacturing facility for producing aluminium rods in Xinjiang begun production on June 4, 2019. Details of the investment agreement for the Xinjiang Project are set out in the announcement of the Company dated April 13, 2015.

Aluminium ingots are the principal raw material for the Group’s production process. The process of melting the aluminum 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.

With the Zengcheng, Nanyang and XinJiang facilities, the Group can better integrate its existing production facilities and expand its production capacity to meet the growing demand for high quality products.

# Management Discussion and Analysis

## Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at June 30, 2019, the Group had HK\$85 million cash and cash equivalents (as at December 31, 2018: HK\$23 million), HK\$3 million pledged bank deposits (as at December 31, 2018: HK\$4 million), interest-bearing borrowings of HK\$1,355 million denominated in RMB (as at December 31, 2018: HK\$888 million denominated in RMB) and obligation under finance leases of HK\$ Nil million (as at December 31, 2018: HK\$0.1 million denominated in HKD).

## Charges on Asset

HK\$222 million (as at December 31, 2018: HK\$270 million) of land use rights, HK\$115 million (as at December 31, 2018: HK\$25 million) of buildings, HK\$120 million (as at December 31, 2018: HK\$127 million) of plant and machinery and HK\$83 million (as at December 31, 2018: HK\$112 million) of trade receivables of the Group were pledged as security for the Group's bank borrowings.

## Capital Structure

As at June 30, 2019 and December 31, 2018, 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 Australian Dollar ("AUD"), United States Dollar and RMB from our sales to major customers during the Period, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

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

# Management Discussion and Analysis

## Significant Investment, Material Acquisition and Disposal

As disclosed in the announcement of the Company dated June 6, 2019, PanAsia Aluminum Limited, a wholly-owned subsidiary of the Company, entered into the investment agreement (“**Investment Agreement**”) with the Heshan City Government, pursuant to which the Heshan City Government agrees to carry out an open tender in respect of the land use right of a parcel of land situated in the Heshan City, Jiangmen, Guangdong Province area in the PRC. The Group conditionally agreed and intends to acquire the land use right in three phases through the open tender. Pursuant to the Investment Agreement, the Group intends to establish a new production base at the Heshan Industrial City District A (鶴山工業城A區)\* for manufacture and production of high performance and high precision aluminium products including high-end aluminum alloys and moulds, hardware parts, heatsinks and other electronic parts mainly to fulfill the demand from the overseas market.

Details of the Investment Agreement are set out in the announcement of the Company dated June 6, 2019.

Save as disclosed above, the Group did not have any significant investment, material acquisition and disposal during the Period.

## Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2019 amounted to approximately HK\$229 million (as at December 31, 2018: HK\$279 million), which was mainly related to the acquisition of machineries in the PRC.

## Contingent Liabilities

As at June 30, 2019, the Group had no contingent liabilities (as at December 31, 2018: Nil).

## Employee Information and Remuneration Policies

As at June 30, 2019, the Group employed approximately 2,900 staff (as at December 31, 2018: 2,900). The Group’s remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Period, the Group incurred staff costs (including Directors’ emoluments) of HK\$162 million (2018 Period: HK\$141 million).

\* for identification purpose only

### INTERIM DIVIDEND

At the meeting of the Board held on August 20, 2019, the Board did not declare an interim dividend for the six months ended June 30, 2019.

### SHARE OPTION SCHEME

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



## Other Information

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

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

### SHARE AWARD SCHEME

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

#### Who May Join

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

#### The Purpose and Objective of the Share Award Scheme

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

#### Operation of the Share Award Scheme

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

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

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

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

As at June 30, 2019, none of the Directors or chief executives of the Company had any interests or short positions 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 (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules.

### **DIRECTORS’ RIGHTS TO PURCHASE SHARES OR DEBENTURES**

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

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at June 30, 2019, 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
Ms. Shao Liyu <sup>(Note)</sup> (former Director resigned on August 3, 2018)	Interest under in discretionary trust	900,000,000	75%
Easy Star <sup>(Note)</sup>	Beneficial Owner	900,000,000	75%
Marina Star Limited <sup>(Note)</sup>	Interest in controlled corporation	900,000,000	75%
HSBC International Trustee Limited <sup>(Note)</sup>	Trustee	900,000,000	75%

Note:

Easy Star was the registered holder of the 900,000,000 shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued share capital of Marina Star Limited was owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust established by Mr. Marcus Pan as settlor and the beneficiaries included Ms. Shao Liyu. An application has been made to the Court of Cayman Island to, inter alia, remove Ms. Shao Liyu as one of the potential beneficiaries of The Pan Family Trust.

### CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to corporate success and to enhance the Shareholders' value. The Group has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period.

### CHANGES OF DIRECTORS' INFORMATION

Below are the changes in the information of Directors after the Period and up to the date of this report that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Leung Ka Tin, an independent non-executive director of the Company, had been appointed as an independent non-executive director of Rentian Technology Holdings Limited (Stock Code: 885) with effect from May 6, 2019.

Except as set out in this report, there is no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. The Company, having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Period.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

### 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.

### CONNECTED TRANSACTION

On November 5, 2018, the Company entered into another framework agreement for supplying goods to Lumy Houseware (Shanghai) Company Limited ("**Lumy SH**"). This framework agreement shall commence on the date of signing for a Period of three (3) years. The annual cap for the supplied amount is HK\$16 million.

On February 22, 2019, due to the internal restructuring of Lumy SH, LumySH ceased to be a connected person of the Company afterward. As such, the transaction shall no longer be regarded as continuing connected transaction.

## Other Information

### **AUDIT COMMITTEE**

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

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited consolidated interim financial statements for the six months ended June 30, 2019 and has recommended their adoption to the Board.

### **REVIEW OF INTERIM RESULTS**

The condensed consolidated financial statements for the Period has not been audited, but has been reviewed by the Audit Committee of the Company.

By order of the Board

**Cheung Wah Keung**

*Independent Non-executive Chairman*

Hong Kong, August 20, 2019