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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2078)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017

Financial Highlights

- Revenue for the year ended December 31, 2017 was approximately HK$1,779 million, compared with approximately HK$2,236 million for the fifteen months ended December 31, 2016;

- Gross profit for the year ended December 31, 2017 was approximately HK$232 million, compared with approximately HK$301 million for the fifteen months ended December 31, 2016;

- Loss attributable to owners of the Company for the year ended December 31, 2017 was approximately HK$156 million, compared with a loss of approximately HK$232 million for the fifteen months ended December 31, 2016; and

- Basic loss per share for the year ended December 31, 2017 of 13.0 HK cents (fifteen months ended December 31, 2016 19.3 HK cents).

The board (the "**Board**") of directors (the "**Directors**") of PanAsialum Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated annual results of the Group for the year ended December 31, 2017 (the "**Year Under Review**"), together with the comparative figures as below.

FINANCIAL INFORMATION

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	*4*	**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	*9*	**19,597**	34,674
Other gains/(losses) – net	*10*	**11,584**	(16,761)
Operating loss		**(95,809)**	(162,691)
Finance income		**913**	2,940
Finance costs		**(46,641)**	(28,566)
Finance costs – net		**(45,728)**	(25,626)
Share of results of investments accounted for using the equity method		**(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)*	*14*	**(13.0)**	(19.3)

	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)

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		**1,062,722**	853,757
Land use rights		**299,569**	270,846
Investments accounted for using the equity method	*12*	**4,463**	16,107
Deposits and lease prepayments		**2,445**	3,167
Prepayments for property, plant and equipment		**82,048**	127,392
		1,451,247	1,271,269
Current assets			
Inventories		**368,256**	314,134
Trade and bills receivables	*5*	**491,346**	414,333
Prepayments, deposits and other receivables		**90,589**	106,159
Due from related companies	*7*	**16,232**	934
Due from the investments accounted for using the equity method	*7*	**21,009**	16,975
Pledged bank deposits		**7,983**	64,464
Cash and cash equivalents		**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		**120,000**	120,000
Reserves		**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

	Notes	**December 31, 2017** *HK$'000*	December 31, 2016 *HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion		**136**	4,955
Borrowings		**17,980**	–
		18,116	4,955
Current liabilities			
Trade payables	*6*	**106,081**	153,696
Other payables and accrued charges		**361,229**	285,601
Due to the investments accounted for using the equity method	*7*	**1,703**	198
Due to a related company	*7*	**14,084**	–
Borrowings		**856,789**	559,543
Obligations under finance leases – current portion		**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

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.

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 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;

(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.

3. 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.

(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

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.

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.

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.

4. 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

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

	Electronics parts	**Construction and industrial products**	**Branded OPLV products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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	Construction and industrial products	Branded OPLV products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	**Australia**	**North America**	**Hong Kong**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'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**

	Fifteen months ended December 31, 2016					
	The PRC	Australia	North America	Hong Kong	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Fifteen months ended December 31, 2016
	HK$'000	*HK$'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	December 31, 2016
	HK$'000	*HK$'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.

5. TRADE AND BILLS 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.

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

6. TRADE PAYABLES

	December 31, 2017 *HK$'000*	December 31, 2016 *HK$'000*
Trade and bills payables	**106,081**	153,696

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

7. 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, a 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 amount due is unsecured, interest-free and repayable on demand. The carrying amount approximates its 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.

8. 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	Fifteen months ended December 31, 2016
	HK$'000	*HK$'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	**118**	769
Loss on disposal of investments accounted for using the equity method	**6,978**	–
Employee benefit expenses	**405,632**	475,886
Depreciation:		
– Owned property, plant and equipment	**97,457**	94,779
– Leased property, plant and equipment	**2,280**	3,732
Amortization of land use rights	**6,254**	4,678
Amortization of intangible assets	**–**	1,009
Provision for impairment of intangible assets	**–**	19,741
Provision for impairment on other prepayment and deposits	**–**	7,254
Impairment provision of investments accounted for using the equity method *(Note 12)*	**2,780**	13,965
Write off of inventories	**3,177**	12,822
Write down of trade receivables	**–**	2,822
Legal and professional fees	**16,262**	11,071

9. OTHER INCOME

	Year ended December 31, 2017	Fifteen months ended December 31, 2016
	HK$'000	*HK$'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.

10. OTHER GAINS/(LOSSES) – NET

	Year ended December 31, 2017	Fifteen months ended December 31, 2016
	HK$'000	*HK$'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	**421**	–
	11,584	(16,761)

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 (Macao Commercial Offshore) Limited 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	Fifteen months ended December 31, 2016
	HK$'000	*HK$'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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

	December 31, 2017	December 31, 2016
	HK$'000	*HK$'000*
At beginning of year/period	**16,107**	–
Investment cost	**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 8)*	**(2,780)**	(13,965)
Exchange differences	**615**	(1,578)
At end of year/period	**4,463**	16,107

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).

14. 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).

15. EVENTS AFTER THE REPORTING PERIOD

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 announcement, the transaction has yet to be completed.

(b) Disposal of Leading Sense Limited

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

BDO Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended December 31, 2017 (the "**Year**").

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: 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.

(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.

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 recognizing 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 end 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 recognized in the proper accounting periods.

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 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 recognized up to December 31, 2016 of HK$277,082,000 were fairly stated, which were included in "Trade and bill receivables" as detailed in Note 19 to the consolidated financial statements and whether the write-down recognized in the Comparative Period was appropriately determined. Any adjustments to the trade receivables and any write-down to be recognized 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 recognized.

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.

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 and for the Comparative Period 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.

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-off 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%

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 the 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 deacline 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.

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 expense changed from 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 notes to the consolidated financial statements of the annual report and the announcement of the Company dated December 28, 2017.

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).

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.

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.

Contingent Liabilities

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

Subsequent Events after the Reporting Period

(a) Changes of Directors/CEO subsequent to reporting period up to the date of this announcement 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)

- Dr. Huang Gang (appointed as a Joint CEO on June 22, 2018)

- Ms. Shao Liyu (re-designated from a CEO to a Joint CEO on June 22, 2018)

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

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

(a) the Company conducted an appropriate investigation on the issues raised by the auditor of the Company during the course of their audit of the results of the Company for the year ended September 30, 2014, disclosed the findings and took any remedial actions;

(b) the Company published all outstanding financial results and addressed any audit qualifications;

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

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

As disclosed by the Company dated December 19, 2014, the Company has set up a First Independent Committee comprising two independent non-executive directors of the Company, Mr. Tsang Wah Kwong (as chairman of the committee) and Mr. Cheung Chun Sing Horatio, to supervise and oversee an investigation on certain matters ("**Investigation**").

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

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

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

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

Mr. Mar Selwyn (appointed on February 8, 2017)
Mr. Chan Kai Nang (appointed on February 24, 2017 and retired on January 24, 2018)
Mr. Leung Ka Tin (appointed on February 24, 2017)
Mr. Choi Tze Kit Sammy (appointed on February 11, 2016 and ceased on February 11, 2017)
Mr. Lam Kwok Fai Osmond (appointed on March 21, 2016 and ceased on March 21, 2017)
Mr. Tang Warren Louis (appointed on March 21, 2016 and ceased on March 21, 2017)

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

The findings of the Investigation are set out by the announcement of the Company dated October 6, 2017 and the related finding and the Management's assessments are set out from Annual Report 2014 and 2015.

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

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

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).

OTHER INFORMATION

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.

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.

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 announcement. 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.

Review of Accounts

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.

Publication of Annual Report

This annual results announcement is published on the websites of the Exchange (http://www.hkex.com.hk) and the Company (http://www.palum.com). The annual report of the Company for the year ended December 31, 2017 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

SUSPENSION OF TRADING

Trading in the shares of Company on the Exchange has been suspended from 9:00 a.m. on December 17, 2014. The trading in the shares of the Company will remain suspended until further notice.

By order of the Board
PanAsialum Holdings Company Limited
Cosimo Borrelli
Non-Executive Chairman

Hong Kong, July 3, 2018

As at the date of this announcement, the executive directors of the Company are Ms. Shao Liyu and Mr. Wong Kwok Wai Eddy; the non-executive directors of the Company are Mr. Cosimo Borrelli and Ms. Chi Lai Man Jocelyn; and the independent non-executive directors of the Company are Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung.