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 SEPTEMBER 30, 2014

Financial Highlights

- Revenue for the year ended September 30, 2014 was approximately HK$2,827 million, increased by 9% as compared with approximately HK$2,584 million for the year ended September 30, 2013;

- Gross profit for the year ended September 30, 2014 was approximately HK$554 million, decreased by 8% as compared with approximately HK$599 million for the year ended September 30, 2013;

- Profit attributable to equity holders for the year ended September 30, 2014 was approximately HK$2.6 million, as compared with approximately HK$213.5 million for the year ended September 30, 2013; and

- Basic earnings per share for the year ended September 30, 2014 amounted to 0.2 HK cents (year ended September 30, 2013: 19.5 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 September 30, 2014 (the "**Year Under Review**"), together with the comparative figures as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended September 30, 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Revenue	*4*	**2,826,639**	2,583,735
Cost of sales	*9*	**(2,272,839)**	(1,985,040)
Gross profit		**553,800**	598,695
Distribution and selling expenses	*9*	**(125,241)**	(99,799)
Administrative expenses	*9*	**(484,154)**	(262,868)
Other income	*10*	**147,819**	1,938
Other losses – net	*11*	**(43,700)**	(37,381)
Operating profit		**48,524**	200,585
Finance income		**2,954**	1,516
Finance costs		**(18,326)**	(22,401)
Finance costs – net		**(15,372)**	(20,885)
Share of loss of an associated company	*13*	**(2,130)**	–
Profit before income tax		**31,022**	179,700
Income tax (expense)/credit	*12*	**(28,457)**	33,831
Profit attributable to equity holders of the Company		**2,565**	213,531

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(1,991)**	12,259
Total comprehensive income attributable to equity holders of the Company		**574**	225,790
Earnings per share attributable to equity holders of the Company			
Basic (HK cents per share)	*15*	**0.2**	19.5
Diluted (HK cents per share)	*15*	**0.2**	19.5
Dividends	*14*	**–**	290,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**581,945**	511,478
Land use rights		**15,149**	9,326
Investment in an associated company		**15,399**	–
Deposits and lease prepayments		**612**	1,778
Prepayments for property, plant and equipment	*5*	**64,605**	3,485
Prepayments for land use rights		**290,690**	–
		968,400	526,067
Current assets			
Inventories		**294,063**	329,189
Trade and bills receivables	*5*	**858,927**	703,145
Prepayments, deposits and other receivables	*5*	**109,527**	168,778
Due from a related company	*7, 8*	**4,200**	3,385
Due from an associated company	*7, 8*	**26,807**	–
Capital guaranteed fund		**–**	4,517
Derivative financial instruments		**4,144**	651
Pledged bank deposits		**–**	21,531
Fixed bank deposit		**–**	300,000
Cash and cash equivalents		**387,145**	498,694
		1,684,813	2,029,890
Total assets		**2,653,213**	2,555,957
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**120,000**	120,000
Reserves		**1,672,832**	1,672,754
Total equity		**1,792,832**	1,792,754

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion		**6,032**	988
		6,032	988
Current liabilities			
Trade payables	*6*	**128,512**	103,155
Other payables and accrued charges	*6*	**207,106**	149,629
Amount due to a director		**2,663**	–
Derivative financial instruments		**–**	3,549
Borrowings		**479,919**	499,368
Obligations under finance leases – current portion		**1,693**	283
Current income tax liabilities		**34,456**	6,231
		854,349	762,215
Total liabilities		**860,381**	763,203
Total equity and liabilities		**2,653,213**	2,555,957
Net current assets		**830,464**	1,267,675
Total assets less current liabilities		**1,798,864**	1,793,742

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 has been listed on the main board of The Stock Exchange of Hong Kong Limited (the "**HKSE**") since February 5, 2013.

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 years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by derivative financial instruments at fair value through profit or loss.

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.

2.1.1 Investigation

In 2014, the then former board of directors of the Company (the "**Former Board**") was informed by its auditor of certain findings during the course of their audit of the Company's consolidated financial statements for the year ended September 30, 2014. As a result, the Former Board established an independent committee (the "**Independent Committee**") which had engaged an independent professional adviser to perform an investigation (the "**Investigation**") on these matters. The Investigation was completed in August 2017.

While the Investigation had a number of limitations in respect of the nature and extent of the procedures conducted, the current board of directors of the Company (the "**Current Board**") had, based on the findings of the Investigation, considered the relevant and available information and supporting evidence, and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The Current Board considered it appropriate to make certain adjustments to the Company's consolidated financial statements for the year ended September 30, 2014 in respect of the following matters:

(A) Discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers

(a) Based on the findings of the Investigation, there were discrepancies between the aluminium ingots receipt records of the finance department and those of the warehouse department. The Investigation also revealed that there were manual modifications to the records of output production rate maintained by the finance department, and there were discrepancies between the consumption records of the finance department and the production department for aluminium ingots and aluminium scraps. These have resulted in possible overstatements of aluminium ingots and scraps consumed while the related liabilities should have been paid to the relevant vendors, and the related impact should have already been included in the cost of sales in the Company's consolidated financial statements. The impact was estimated to be a loss of RMB43,592,000 (equivalent to HK$55,356,000) for the year ended September 30, 2014.

Based on the findings of the Investigation and the information available, the Current Board considers that these aluminium ingots might have been consumed in the production process. However, the relevant supporting documents and records were incomplete, such that the Group was unable to precisely explain and quantify the discrepancies identified. Under these circumstances, the Current Board considered that recording such possible loss in cost of sales in the Company's consolidated financial statements was a pragmatic way to dispose of the discrepancies identified. As a result, no adjustment was made to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of the discrepancies identified in the aluminium ingots receipt and consumption records. The Current Board also adopted the same approach to address similar Investigation findings identified in relation to the financial periods prior to October 1, 2013, and therefore made no adjustments were made to the Company's consolidated financial statements for those prior periods.

(b) In the normal course of business, the Group prepays its suppliers for purchase of aluminium ingots. As at September 30, 2014, the Group had prepaid RMB31,639,000 (equivalent to HK$40,009,000) to a new major supplier ("**Supplier A**"), which was one of the largest aluminium ingots vendors of the Group since August 2013. The Group also had aluminium ingots in-transit of RMB15,846,000 (equivalent to HK$20,175,000) to be received from Supplier A as at the same date. As described in section (C) below, there were possible connections between Supplier A and certain of the Group's customers in Australia.

The Group had continuously followed up with the Supplier A for subsequent delivery of aluminium ignots. However, aluminium ingots totalling only RMB16,056,000 (equivalent to HK$20,304,000) were subsequently delivered to the Group by Supplier A. In this connection, a claim was lodged by the Group in May 2015 against Supplier A through legal proceedings in the People's Republic of China (the "**PRC**") to recover certain outstanding balances paid to Supplier A. On December 29, 2016, the PRC court ruled in favour of the Group which had recovered a cash settlement of RMB5,430,000 (equivalent to HK$6,866,000). However, the Current Board considered that it is unlikely to recover the remaining outstanding amounts of RMB25,999,000 (equivalent to HK$33,014,000) in total, and therefore made an impairment provision of an equivalent amount against such outstanding balance. The impairment provision had been included in the administrative expenses during the year ended September 30, 2014 (see Note 5).

(B) Transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC

During the year ended September 30, 2014, PanAsia Aluminium (China) Co., Ltd. ("**PACL**"), a wholly-owned subsidiary of the Company, paid a total sum of approximately RMB42,672,000 (equivalent to HK$54,187,000) to a construction company incorporated in the PRC (the "**Nanyang Construction Contractor**") for the construction of a new production plant in Nanyang city, PRC (the "**Nanyang Construction**"), of which RMB39,936,000 (equivalent to HK$50,713,000) and RMB2,736,000 (equivalent to HK$3,474,000) were originally recorded as construction-in-progress and prepayment, respectively, as at September 30, 2014. The contract with the Nanyang Construction Contractor was subsequently void during the year ended September 30, 2014 because certain errors were found, but no replacement contract was executed.

Based on the findings of the Investigation, payments were made by PACL to a bank account of the Nanyang Construction Contractor (the "**Nanyang Construction Bank Account**"), and a former employee in the finance department of PACL was able to operate this bank account during a short period from June 2014 to September 2014. The Investigation also revealed that certain funds were subsequently transferred out from the Nanyang Construction Bank Account to certain corporate and individual transferees, including an individual whose name appeared to be the same as a relative of the former chairman of the Company.

Management of the Company tried to contact the Nanyang Construction Contractor, but was unable to obtain from it the relevant supporting documents (including the detailed construction progress report, detailed underlying supporting for the payments to the Nanyang Construction Contractor as well as the transfers from the Nanyang Construction Bank Account, and the background and identities of the above-mentioned transferees) to substantiate the payments made. In April 2015, PACL entered into a construction contract with another contractor for the construction of the same production facility in Nanyang city. As it is unlikely that these payments will derive any future economic benefits to the Group, the Current Board therefore decided to write off the entire construction-in-progress balance of RMB39,936,000 (equivalent to HK$50,713,000) and the prepayment balance of RMB2,736,000 (equivalent to HK$3,474,000) to administrative expenses during the year ended September 30, 2014.

(C) *Recoverability of receivables from, and possible relationship with, certain customers in Australia*

A customer in Australia together with its subsidiaries and affiliates (collectively the "**Australia Customers**") was one of the Group's largest customers. During the year ended September 30, 2014, sales to the Australia Customers amounted to HK$374,561,000 (2013: HK$637,050,000). 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.

During the year ended September 30, 2014, sales to Australia Customer A and Australia Customer B amounted to HK$4,991,000 and HK$218,983,000, respectively. The trade receivable balances (before write-off) outstanding from Australia Customer A (including the assignment of the payables due by the Australia Customers) and Australia Company B were HK$221,057,000 and HK$156,089,000, respectively, as at September 30, 2014.

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

The Group stopped trading directly with Australia Customer A in July 2014 and continued the trading business with Australia Customer B until March 2015. Although the Group had continuously demanded for settlement, both Australia Customer A and Australia Customer B delayed in settlement and the outstanding trade receivables became long overdue as at September 30, 2014. The Group also noticed a downside business impact on Australia Customer A and Australia Customer B following the significant increase in anti-dumping duty imposed on foreign imports from Mainland China to Australia in February 2015.

In view of the above, the Group filed a claim with a court in Australia and issued winding up petitions against Australia Customer A and Australia Customer B in July 2015. After taking into account the subsequent collections and balances recovered from the winding up petitions against Australia Customer A and Australia Customer B, total outstanding trade receivables of HK$69,306,000 and HK$15,056,000, respectively, in relation to the sales executed during the year ended September 30, 2014 and amounts assigned to Australia Customer A by the Australia Customers for the sales to the Australia Customers during the year ended September 30, 2014, were written off to administrative expenses in the same year (see Note 5).

Moreover, the Group made sales of HK$38,089,000 to another new customer in Australia ("**Customer C**"), which was incorporated in the British Virgin Islands, during the year ended September 30, 2014. Based on the information in the winding up petitions against Australia Customer B, certain goods sold to Customer C were resold to Australia Customer B. During the year, Customer C had delayed its settlement and the Group had continuously demanded Customer C for settlement but in vain. The Group therefore had written off the outstanding trade receivables from Customer C of HK$15,740,000 to administrative expenses during the year ended September 30, 2014 (see Note 5).

(D) Impairment of investment in and advances to, and possible relationship with, an associated company

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

During the year ended September 30, 2014, the Group paid an amount of RMB1,070,000 (equivalent to HK$1,353,000) to an agency company for sponsorship of a concert without entering into any contract. Such payment was initially accounted for as prepayment by the Group, and was reclassified as amount due from an associated company based on the findings of the Investigation. Including this sponsorship payment, the Group had advanced a total balance of HK$26,807,000 to Leading Sense and its subsidiaries (the "**Leading Sense Group**") which was recorded as amount due from an associated company as at September 30, 2014.

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

Upon the acquisition in August 2014, management of the Company was provided with, on a monthly basis, the management accounts of Leading Sense Group which had been unavailable since January 2015. In addition, the other shareholders or the management of Leading Sense Group ceased to be contactable since January 2015.

As the management of the Company was unable to obtain further financial information and in view of the financial position of Leading Sense Group as well as the discontinuation of the Mobile Business in 2015, the Current Board decided to write off the investment in and the amounts due from Leading Sense Group of HK$15,399,000 and HK$26,807,000 respectively, and the total amounts written off were charged to administrative expenses in the Company's consolidated financial statements for the year ended September 30, 2015.

(E) Certain transactions conducted through personal bank accounts

The Investigation has identified certain records ("**Personal Bank Account Records**") that contain descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts opened in the names of the chairlady of the Company, a former employee of the Group, and individuals related to either the chairlady or the former chairman of the Company. These personal bank accounts were operated and controlled by an employee in the finance department of PACL. Bank statements of some of these personal bank accounts were provided by certain banks. Based on the descriptions in the Personal Bank Account Records, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors of the Group; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. These transactions had never been accounted for or recorded in the Company's consolidated financial statements.

Based on the findings of the Investigation, the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43,966,000 (equivalent to HK$55,830,000) and RMB47,317,000 (equivalent to HK$60,085,000) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 was approximately RMB20,441,000 (equivalent to HK$25,957,000).

The Investigation also identified certain incomplete ledgers (which did not form part of the accounting records of the Group (the "**Incomplete Ledgers**")) that recorded certain payments and receipts transactions, some of which were similar to those described in the Personal Bank Account Records. However, there were no underlying supporting documents or other evidence available to substantiate the nature of these transactions. The complete set of the Personal Bank Accounts Records and the Incomplete Ledgers and the related supporting documents were reportedly no longer retained.

The Current Board is of the view that they could not obtain sufficient evidence to support that these personal bank accounts were held by individuals on behalf of the Group and that the relevant transactions conducted through these personal bank accounts were attributable to the Group. Based on the limited information available, management and the Current Board concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions should be accounted for and recorded by the Group. Accordingly, the Current Board considered that no accounting adjustments are required to be made to the Company's consolidated financial statements with regard to this matter.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

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

The following new, revised or amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after October 1, 2013:

Amendment to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
Amendment to HKFRS 1	Government loans
Amendment to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
HKFRS 13	Fair value measurement
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Annual Improvements Project	Annual improvements 2009-2011 cycle

The adoption of the above new, revised or amended standards and interpretation did not result in substantial changes to the accounting policies of the Group and had no material impact on the preparation of the Group's consolidated financial statements.

(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 October 1, 2013 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS 1	Disclosure initiative	January 1, 2016
Amendment to HKAS 7	Disclosure initiative	January 1, 2017
Amendment to HKAS 12	Recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendment to HKAS 16 and HKAS 41	Agriculture: bearer plants	January 1, 2016
Amendment to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendment to HKAS 19 (2011)	Defined benefit plans: employee contributions	July 1, 2014
Amendment to HKAS 27	Equity method in separate financial statements	January 1, 2016

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Offsetting financial assets and financial liabilities	January 1, 2014
Amendment to HKAS 36	Recoverable amount disclosures for non-financial assets	January 1, 2014
Amendment to HKAS 39	Novation of derivatives and continuation of hedge accounting	January 1, 2014
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, HKFRS 12 and HKAS 27 (2011)	Investment entities	January 1, 2014
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
Amendment to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	January 1, 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	January 1, 2016
HKFRS 14	Regulatory deferral accounts	January 1, 2016
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 21	Levies	January 1, 2014
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration	January 1, 2018
Annual improvements project	Annual improvements 2010-2012 cycle	July 1, 2014
Annual improvements project	Annual improvements 2011-2013 cycle	July 1, 2014
Annual improvements project	Annual improvements 2012-2014 cycle	January 1, 2016
Annual improvements project	Annual improvements 2014-2016 cycle	January 1, 2017
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 amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 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 HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

- Rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$7,094,000, see Note 32. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective and expected to have a material impact on the Group.

4. SEGMENT INFORMATION

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
Branded OPLV products	Door and window frames systems marketed under "**OPLV**" brand and sold through distributors
Construction and industrial products	Products sold for construction and industrial use, examples include window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods

The segment information for the operating segments for the year ended September 30, 2014 is as follows:

	Electronics parts *HK\$'000*	**Branded OPLV products** *HK\$'000*	**Construction and industrial products** *HK\$'000*	**Total** *HK\$'000*
Sales to external customers	**1,453,293**	**332,581**	**1,040,765**	**2,826,639**
Cost of sales	**(1,096,456)**	**(299,951)**	**(876,432)**	**(2,272,839)**
Segment gross profit	**356,837**	**32,630**	**164,333**	**553,800**
Unallocated operating costs				**(609,395)**
Other income				**147,819**
Other losses – net				**(43,700)**
Finance costs – net				**(15,372)**
Share of loss of an associated company				**(2,130)**
Profit before income tax				**31,022**

The segment information for the operating segments for the year ended September 30, 2013 is as follows:

	Electronics parts *HK$'000*	Branded OPLV products *HK$'000*	Construction and industrial products *HK$'000*	Total *HK$'000*
Sales to external customers	1,320,303	323,756	939,676	2,583,735
Cost of sales	(955,729)	(260,881)	(768,430)	(1,985,040)
Segment gross profit	364,574	62,875	171,246	598,695
Unallocated operating costs				(362,667)
Other income				1,938
Other losses – net				(37,381)
Finance costs – net				(20,885)
Profit before income tax				179,700

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the years ended September 30, 2014 and 2013 consists of the following:

	2014					
	The PRC *HK$'000*	**Australia** *HK$'000*	**North America** *HK$'000*	**Hong Kong** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Sales to external customers	**1,882,113**	**756,979**	**23,034**	**107,592**	**56,921**	**2,826,639**
Cost of sales	**(1,459,876)**	**(644,258)**	**(21,951)**	**(91,809)**	**(54,945)**	**(2,272,839)**
Gross profit	**422,237**	**112,721**	**1,083**	**15,783**	**1,976**	**553,800**

	2013					
	The PRC *HK$'000*	Australia *HK$'000*	North America *HK$'000*	Hong Kong *HK$'000*	Others *HK$'000*	Total *HK$'000*
Sales to external customers	1,707,535	740,466	24,370	67,272	44,092	2,583,735
Cost of sales	(1,273,984)	(584,469)	(23,516)	(59,227)	(43,844)	(1,985,040)
Gross profit	433,551	155,997	854	8,045	248	598,695

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

	2014	2013
	HK$'000	*HK$'000*
PRC Customer A	**1,427,739**	1,288,990
Australia Customers	**374,561**	637,050

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 located in respective geographical locations is as follows:

	2014	2013
	HK$'000	*HK$'000*
The PRC	**954,979**	522,064
Hong Kong	**11,055**	3,851
Other countries	**2,366**	152
	968,400	526,067

5. TRADE AND BILLS RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**954,212**	703,145
Less: Write off on trade receivables	**(95,475)**	–
Trade receivables – net	**858,737**	703,145
Bills receivables	**190**	–
Trade and bills receivables – net	**858,927**	703,145

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 (2013: 45 to 120 days). The Group does not hold any collateral as security.

As of September 30, 2014, trade receivables of HK$95,475,000 were written off (2013: Nil). These written off receivables related to individual customers, namely, Australia Customer A, Australia Customer B and Customer C. The ageing of these receivables is as follows:

	2014	2013
	HK$'000	*HK$'000*
Current	**8,590**	–
1 – 30 days	**8,054**	–
31 – 60 days	**14,243**	–
61 – 90 days	**3,695**	–
91 – 180 days	**30,655**	–
181 days – 1 year	**30,238**	–
	95,475	–

As disclosed in Note 2.1.1(C), write off of HK$69,306,000 and HK15,056,000 in relation to irrecoverable trade receivables from Australia Customer A and Australia Customer B, respectively, had been charged to administrative expenses during the year ended September 30, 2014. In addition, write off of trade receivables from Customer C of HK$15,740,000 had been charged to the administrative expenses during the year ended September 30, 2014.

	2014
	HK$'000
Write off on trade receivables charged to administrative expenses	**100,102**
Exchange realignment	**(4,627)**
Write off on trade receivables as at September 30, 2014	**95,475**

Subsequently, trade receivables of HK$149,341,000 and HK$36,352,000 due from Australia Customer B and Customer C, respectively, for the sales entered during the year ended September 30, 2015 had been written off and charged to the administrative expenses for the year ended September 30, 2015.

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

As at September 30, 2014, the ageing analysis of the trade and bills receivables based on due date was as follows:

	2014	2013
	HK$'000	*HK$'000*
Current	**627,706**	434,100
1 – 30 days	**63,566**	83,338
31 – 60 days	**13,216**	58,192
61 – 90 days	**58,800**	77,139
91 – 180 days	**95,637**	50,165
181 days – 1 year	**2**	211
	858,927	703,145

As at September 30, 2014, receivables of HK$627,706,000 were neither past due nor impaired (2013: HK$434,100,000). These receivables relate to customers for whom there is no recent history of default.

As at September 30, 2014, trade receivables of HK$231,221,000 were past due but not impaired (2013: HK$269,045,000). These relate to a number of independent customers that have a good track record of payment with the Group. No impairment provision was made as at September 30, 2014 (2013: Same).

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK$162,351,000 to bank in exchange for cash as at September 30, 2014 (2013: HK$180,080,000). The transactions have been accounted for as collateralized borrowings.

As at September 30, 2014, all trade receivables were non-interest bearing (2013: Same).

As at September 30, 2014, the carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2014	2013
	HK$'000	*HK$'000*
AUD	**329,980**	342,941
RMB	**142,667**	138,954
USD	**359,174**	210,863
HKD	**27,106**	10,387
	858,927	703,145

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

As at September 30, 2014, breakdown of prepayments, deposits and other receivables was as follows:

	2014	2013
	HK$'000	*HK$'000*
Non-current portion:		
Deposits and lease prepayments	**612**	1,778
Prepayments for property, plant and equipment *(Note i)*	**64,605**	3,485
Prepayments for land use rights *(Note ii)*	**290,690**	–
	355,907	5,263
Current portion:		
Prepayment to suppliers for purchases of materials *(Note iii)*	**42,565**	85,664
Deposits placed for purchase of materials *(Note iv)*	**19,285**	51,806
Others	**47,677**	31,308
	109,527	168,778

Note i: As disclosed in Note 2.1.1(B), an amount of RMB2,736,000 (equivalent to HK$3,474,000) in relation to the Nanyang Construction had been written off to administrative expenses during the year ended September 30, 2014.

Note ii: On October 1, 2013, the Group entered into an investment agreement with the Wolong District Government, pursuant to which the Group conditionally agreed to invest an aggregate sum of RMB3,000 million (equivalent to approximately HK$3,780 million) in the Nanyang City, for the establishment of an aluminium alloy production base.

Pursuant to the investment agreement, the Group won the bids and acquired the land use rights of eight parcels of land located in Nanyang City for a cash consideration of RMB197 million (equivalent to HK$250 million). As at September 30, 2014, the consideration has been paid. The remaining balances included in the prepayment represent those directly attributable costs including tax and other professional fees.

Note iii: As disclosed in Note 2.1.1(A), impairment provision of RMB25,999,000 (equivalent to HK$33,014,000) against the outstanding prepayments to Supplier A had been charged to the administrative expenses during the year ended September 30, 2014.

Subsequently, impairment provision of HK$16,043,000 for the irrecoverable prepayments for aluminium ingot made to Supplier A subsequent to year end would be charged to administrative expenses for the year ended September 30, 2015.

Note iv: The balance of HK$19,285,000 represents deposits placed with the institution to secure the Group's margin accounts for the purchase of aluminium (2013: HK$51,806,000), of which HK$18,980,000 was restricted for the purchase of aluminium as at September 30, 2014 (2013: HK$50,254,000). The deposits are non-interest bearing.

The other classes within trade and other receivables do not contain impaired assets (2013: same).

6. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**128,512**	103,155
Deposits received	**34,069**	27,164
Accrued employee benefit expenses	**45,550**	37,690
Accrued operating expenses	**41,061**	17,092
Provision for sales rebate and claim to customers	**5,844**	21,094
Payable for purchase of property, plant and equipment	**24,730**	42,046
Other payables and accruals	**55,852**	4,543
Total other payables and accrued charges	**207,106**	149,629
Trade payables, other payables and accrued charges	**335,618**	252,784

As at September 30, 2014, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**54,010**	82,173
31 – 60 days	**27,772**	12,860
61 – 90 days	**8,255**	1,510
Over 90 days	**38,475**	6,612
	128,512	103,155

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

	2014	2013
	HK$'000	*HK$'000*
RMB	**104,309**	70,744
USD	**19,700**	32,098
HKD	**4,503**	313
	128,512	103,155

7. DUE FROM A RELATED COMPANY, DUE FROM AN ASSOCIATED COMPANY AND DUE TO A DIRECTOR

(i) Due from a related company:

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

(ii) Due from an associated company:

During the year ended September 30, 2014, the Group had advanced a total balance of HK$26,807,000 to Leading Sense Group. The balance is unsecured, interest-free and has no fixed term.

During the year ended September 30, 2015, the Group had made further advances to Leading Sense Group from which total balance due amounted to HK$47,503,000.

As disclosed in Note 2.1.1(D), investment in an associated company of HK$15,399,000 and amount due from an associated company totalling HK$44,841,000, after taking into account the settlement received from Leading Sense Group, had been written off and charged to the administrative expenses for the year ended September 30, 2015.

(iii) Due to a director:

On August 28, 2014, PanAsia Enterprises Group Limited ("**PanAsia Enterprises**"), a wholly owned subsidiary of the Company, and Mr. Marcus Pan ("**Mr. Pan**") entered into the deed of assignment pursuant to which Mr. Pan agreed to assign to PanAsia Enterprises the loan originally due to Mr. Pan by Leading Sense Group, for a cash consideration of HK$2,663,000. PanAsia Enterprises will pay such consideration to Mr. Pan at any time upon his request. The balance is unsecured, interest-free and has no fixed term. Subsequently, PanAsia Enterprises received the loan repayment from Leading Sense Group in July 2015.

8. 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.

The Group had the following related party transactions during the years ended September 30, 2014 and 2013:

(i) Sales of goods

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Continuing:			
Sales of aluminium extrusion materials			
Guangzhou Rongjin Curtain Wall Co. Ltd. ("**Rongjin**") 廣州市榮晉幕牆有限公司[1]	(a), (b)	**25,633**	15,926

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

Notes:

(a) The company is controlled by family members of Mr. Pan, a director of the Company.

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

(ii) Key management compensation

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

	2014	2013
	HK$'000	*HK$'000*
Salaries, bonus and allowances	**15,375**	31,615
Pension	**431**	405
	15,806	32,020

(iii) Balances with related parties

Group:

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Due from a related company			
Rongjin	(a), (b)	**4,200**	3,385
Due from an associated company			
Leading Sense	(a)	**26,807**	–

Notes:

(a) The balances are unsecured, interest-free and repayable on demand.

(b) The related company is controlled by family member of Mr. Pan, a director of the Company, for the year ended September 30, 2014.

9. EXPENSES BY NATURE

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

	2014	2013
	HK\$'000	*HK\$'000*
Auditor's remuneration – current year	**10,300**	4,348
Operating leases – land and buildings	**25,249**	24,239
Changes in inventories of finished goods and work in progress	**18,082**	(93,750)
Raw materials and consumables used	**1,957,109**	1,788,040
Loss on disposal of property, plant and equipment	**1,659**	2,201
Employee benefit expenses	**323,206**	337,743
Depreciation:		
Owned property, plant and equipment	**66,022**	54,250
Leased property, plant and equipment	**840**	154
Write off on property, plant and equipment	**50,713**	–
Provision for impairment on prepayment to a supplier for purchases of raw materials	**33,014**	–
Write off of prepayment to a supplier for purchases of property, plant and equipment	**3,474**	–
Write off of trade receivables	**100,102**	–
Amortization of land use rights	**771**	231
Legal and professional fees	**34,919**	2,486

10. OTHER INCOME

	2014	2013
	HK\$'000	*HK\$'000*
Government grant *(Note)*	**145,726**	–
Forfeiture of customer deposits	**859**	150
Insurance claims	**485**	1,106
Others	**749**	682
	147,819	1,938

Note:

Government grant amounting to HK\$145,726,000 (RMB114,759,000) represented incentive receivable 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 ("**Nanyang City**"). All grants had been received during September 30, 2014 (2013: Nil).

11. OTHER LOSSES – NET

	2014	2013
	HK$'000	*HK$'000*
Net exchange losses	**(31,466)**	(39,968)
Gain on derivative financial instruments – foreign exchange forward contracts	**827**	5,101
Fair value gain on derivative financial instruments – equity-index embedded derivative	**–**	177
Loss on derivative financial instruments – aluminium futures contracts	**(13,061)**	(2,691)
	(43,700)	(37,381)

12. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended September 30, 2014 (2013: 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 September 30, 2014 (2013: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL is exempted from Macao Complementary Tax during the year ended September 30, 2014 (2013: Same).

	2014	2013
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year	**337**	138
Overseas taxation		
– current year	**28,120**	6,942
– over-provision in prior years *(Note)*	**–**	(40,911)
	28,457	(33,831)

Note:

On February 6, 2013, the Group received the additional PRC corporate income tax assessments from PRC relevant tax bureau regarding the years of assessment from 2008 to 2010. In response to these assessments, a total payment of RMB3,292,000 (equivalent to HK$4,082,000) has been made by the Group to the tax bureau in March 2013. In the opinion of the management, it has been confirmed with the tax bureau that no further tax liabilities are payable for the years of assessment prior to 2008. Accordingly, the excess tax provision of RMB30,140,000 (equivalent to HK$37,376,000) has been reversed during the year ended September 30, 2013.

Moreover, an overprovision of PRC corporate income tax of RMB2,797,000 (equivalent to HK$3,535,000) previously provided for 2012 as at September 30, 2012 has been reversed during the year ended September 30, 2013.

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

It is management's understanding that the protective estimated assessments were merely issued to keep the 2006/07 assessment year open in view of the statutory time-bar, and the case is in the information collection stage. Management is of the view that the tax position taken by the Company and the relevant subsidiaries are supported by sustainable facts and technical grounds, and management will vigorously defend such tax position taken. Management is also of the view that, as at the date of this announcement, there is no reliable basis for estimating, and providing for any potential tax liabilities, and the corresponding penalty and interest, if any.

13. INVESTMENT IN AN ASSOCIATED COMPANY

On August 28, 2014, PanAsia Enterprises entered into the subscription agreement pursuant to which PanAsia Enterprises agreed to subscribe for the shares of the Leading Sense Limited ("**Leading Sense**"), a company incorporated in the British Virgin Islands, which represent 45% issued share capital of Leading Sense. The consideration for the subscription was HK$17,524,000.

The associated company has issued share capital consisting solely of ordinary shares, with 2,000 ordinary shares of US$1 each.

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

There are no contingent liabilities relating to the Group's interest in the associated company.

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

	2014	2013
	HK$'000	*HK$'000*
Investment in an associated company	**15,399**	–

	2014	2013
	HK$'000	*HK$'000*
At October 1	**–**	–
Investment cost	**17,524**	–
Share of loss of an associated company	**(2,130)**	–
Share of other comprehensive income	**5**	–
At September 30	**15,399**	–

The amounts recognized in the consolidated statement of comprehensive income are as follows:

	2014	2013
	HK$'000	*HK$'000*
Share of loss:	**(2,130)**	–

As disclosed in Note 2.1.1(D) and Note 7(ii) impairment of investment in an associated company would be charged to the administrative expenses for the year ended September 30, 2015.

14. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividends declared and paid by a subsidiary of the Group prior to reorganization *(Note (a))*	**–**	50,000
Interim dividend of 20 HK cents per ordinary share declared and paid by the Company *(Note (b))*	**–**	240,000
	–	290,000

Notes:

(a) Interim dividends were declared and paid by a subsidiary of the Group to its then equity holders prior to the Group's reorganization which was completed on October 12, 2012.

(b) Interim dividend was declared by the Company to its equity holders. The amount of such interim dividend for the year ended September 30, 2013 was based on 1,200,000,000 shares in issue as at May 22, 2013.

The aggregate amounts of the dividends paid during the year ended September 30, 2013 have been disclosed in the consolidated statement of comprehensive income in accordance with the Hong Kong Companies Ordinance.

No dividend has been paid or declared by the Company during the year ended September 30, 2014 (2013: Nil).

15. EARNINGS PER SHARE

(a) Basic

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

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**2,565**	213,531
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**1,095,018**	1,095,616
Basic earnings per share (HK cents)	**0.2**	19.5

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year (excluding the ordinary shares held for share award scheme) with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares under the share award scheme.

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**2,565**	213,531
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**1,095,018**	1,095,616
Adjustment for shares held for share award scheme (thousands)	**287**	–
	1,095,305	1,095,616
Diluted earnings per share (HK cents)	**0.2**	19.5

16. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequently to September 30, 2014:

(a) Construction in Nanyang, PRC

On April 8, 2015, PACL, a wholly-owned subsidiary of the Company, entered into a construction contract with the 河南冠亞建築工程有限責任公司 (the "**Contractor**") by constructing and building three CNC workshops of the Group's production facility at Nanyang, with total consideration of RMB56,911,000 (equivalent to approximately HK$71,896,000). The phase 1 production of the construction had commenced on October 23, 2015. On November 17, 2015, the above said subsidiary further entered into another construction contract with the Contractor by constructing and building a workshop at the Group's production facility at Nanyang, with total consideration of RMB46,641,000 (equivalent to approximately HK$57,602,000). The workshops were still under construction as of the date of the report.

(b) Investment in Xinjiang

On April 10, 2015, PanAsia Aluminium Limited, a wholly-owned subsidiary of the Company, entered into an investment agreement with the Jimsar County Government by investing in a subsidiary with an estimated aggregate capital of more than RMB200,000,000 at Xinjiang to produce high-end aluminium rods and aluminium rolled products. On December 18, 2015, the Group entered into an agreement with 吉木薩爾縣國土資源局 ("**JBLR**") by purchasing the land with consideration of approximately RMB3,592,000, which was waived by the JBLR.

(c) Change of the financial year end date

On September 30, 2016, the Board approved that the financial year end date of the Company will be changed from September 30, to December 31. Accordingly, the financial period will cover a period of fifteen months from October 1, 2015 to December 31, 2016.

The Board does not foresee any material financial implications for the Group as a result of the change of the financial year end date nor is there any other matter of significance that should be brought to the attention of the shareholders of the Company.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

PricewaterhouseCoopers were 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 September 30, 2014:

BASIS FOR DISCLAIMER OF OPINION

As disclosed in Note 2.1.1 to the Company's consolidated financial statements, the former Board of Directors of the Company (the "**Former Board of Directors**") established an independent committee which had engaged an independent professional advisor to conduct an independent investigation (the "**Investigation**") on certain matters brought to the attention of the Former Board of Directors. The Investigation was completed in August 2017. The current Board of Directors (the "**Current Board of Directors**"), based on the findings of the Investigation, had identified certain matters relating to (i) discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers; (ii) transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the People's Republic of China (the "**PRC**"); (iii) recoverability of receivables from, and possible relationship with, certain customers in Australia; (iv) impairment of investment in and advances to, and possible relationship with, an associated company; and (iv) certain transactions conducted through personal bank accounts. Based on the findings of the Investigation, the Current Board of Directors considered it appropriate to make certain adjustments to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of these matters.

The Investigation had a number of limitations in respect of the nature and extent of the procedures conducted. In response to these matters and the limitations of the Investigation, we have planned to conduct extended procedures during the course of our audit of the Company's consolidated financial statements as at and for the year ended September 30, 2014. However, we also encountered various limitations when we conducted the extended procedures as detailed below.

(1) Discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers

(a) As described in Note 2.1.1(A)(a) to the consolidated financial statements, the Investigation identified certain discrepancies between the aluminium ingots receipt records of the finance department and those of the warehouse department, discrepancies between the consumption records of the finance department and the production department for aluminium ingots and aluminium scraps, as well as certain manual modifications to the records of output production rate maintained by the finance department. Based on the findings of the Investigation and the limited information available, the Current Board of Directors of the Company estimated these might have resulted in a loss of approximately RMB43,592,000 (equivalent to HK$55,356,000) for the year ended September 30, 2014, despite the Group was not able to precisely explain and quantify the discrepancies identified as the relevant supporting documents and records were incomplete. The Current Board of Directors also believed that such estimated loss should have already been included in the cost of sales in the Company's consolidated income statement for the year ended September 30, 2014 anyway, such that no adjustment to these financials statements was necessary based on the judgements made by the Group. The Current Board of Directors also adopted the same approach to address similar Investigation findings identified in relation to the financial periods prior to October 1, 2013, and therefore made no adjustments to the Company's consolidated financial statements for those prior periods.

We were unable to obtain satisfactory explanation and adequate documentary evidence from management to verify the nature of and reason for these discrepancies in and manual modifications to the relevant records, nor were we aware or informed of such discrepancies and manual modifications in our prior years' audits. Management was also unable to provide us with supporting documents to enable us to validate the impact and amounts resulting from these matters. We requested for but were also unable to obtain all the necessary collaborative evidence from the counterparties, including interviews with the suppliers, to substantiate the nature of these discrepancies and manual modifications. Despite our requests, management was also unable to provide us with sufficient appropriate audit evidence to ascertain the amount, nature, completeness and classification of the estimated loss currently recorded as cost of sales. There were no alternative audit procedures that we could perform to satisfy ourselves as to the occurrence, accuracy, completeness, classification, presentation and disclosure of the estimated loss of approximately RMB43,592,000 (equivalent to HK$55,356,000) resulting from the above discrepancies during the year ended September 30, 2014, and whether the effects of these transactions had been properly accounted for, classified, presented and disclosed in the Company's consolidated financial statements as at and for the year ended September 30, 2014 and the prior financial periods. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

(b) As described in Note 2.1.1(A)(b) to the consolidated financial statements, as at September 30, 2014, the Group had total prepayments of RMB47,485,000 (equivalent HK$60,184,000 (before write-off) to a new major aluminium ingot supplier of the Group ("**Supplier A**"), comprising (i) prepayments of RMB31,639,000 (equivalent to HK$40,009,000); and (ii) aluminium ingots in-transit of RMB15,846,000 (equivalent to HK$20,175,000). The Group had written off total prepayments and undelivered aluminium ingots in-transit of RMB25,999,000 (equivalent to HK$33,014,000) to administrative expenses during the year ended September 30, 2014, after taking legal action against Supplier A and considering cash collections and deliveries of aluminium ingots during and subsequent to September 30, 2014.

During the course of our audit, we had obtained a confirmation reply from Supplier A in relation to the balance of aluminium ingots in-transit as at September 30, 2014, but the confirmation result was inconsistent with that obtained by the independent professional advisor during the Investigation process. Management was unable to provide us with satisfactory explanations and adequate documentary evidence for such inconsistency, nor were we able to interview with Supplier A, to ascertain the amount and nature of the prepayments made to Supplier A, the reasons and nature of the inconsistency noted in the confirmation replies, as well as the rationale and basis of the write-off of the prepayments of RMB25,999,000 (equivalent of HK$33,014,000). Management was also not able to provide us with satisfactory evidence about the background of this new Supplier A, as well as the business rationale and commercial substance of the prepayments made to Supplier A. As such, we were unable to obtain sufficient and appropriate documentary evidence to ascertain the nature, occurrence, accuracy, completeness and presentation of the total prepayments made to Supplier A of RMB47,485,000 (equivalent to HK$60,184,000). There were also no alternative audit procedures that we could perform to satisfy ourselves as to whether the total impairment amounts of RMB25,999,000 (equivalent of HK$33,014,000) charged to administrative expenses for the year ended September 30, 2014 and the net prepayment balance of HK$42,565,000 as at the same date were fairly stated. Consequently, we were unable to determine whether any adjustment to these amounts was necessary.

(2) Transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC

As described in Note 2.1.1(B) to the consolidated financial statements, the Group had during the year ended September 30, 2014 paid a total sum of approximately RMB42,672,000 (equivalent to HK$54,187,000) to a construction company incorporated in the PRC (the "**Nanyang Construction Contractor**") for the construction of a new production plant in Nanyang city, the PRC (the "**Nanyang Construction**"). The above amounts paid represented construction-in-progress and prepayment of RMB39,936,000 (equivalent to HK$50,713,000) and RMB2,736,000 (equivalent to HK$3,474,000), respectively. The contract with the Nanyang Construction Contractor was subsequently void during the year ended September 30, 2014 without executing a replacement contract.

Based on the findings of the Investigation, payments were made by the Group to a bank account of the Nanyang Construction Contractor and a former finance employee of the Group was able to operate this bank account for a short period during the year ended September 30, 2014. The Investigation also revealed that certain funds were subsequently transferred from this bank account to certain alleged third parties (the "**Alleged Third Parties**"), including an individual whose name appeared to be the same as a relative of the former chairman of the Company. As described in Note 2.1.1(B) to the consolidated financial statements, the Group subsequently entered into a construction contract with a new contractor in April 2015 for the construction of the same facility, and had written off the total amounts of RMB42,672,000 (equivalent to HK$54,187,000) paid to the Nanyang Construction Contractor during the year ended September 30, 2014.

Management was not able to provide us with adequate evidence to support the nature and amount of the payments to the Nanyang Construction Contractor, including the detailed construction progress report and the supporting for the transfers from the bank account of the Nanyang Construction Contractor to the Alleged Third Parties. We were unable to obtain from management satisfactory explanations or adequate documentary evidence as to the identity of the Nanyang Construction Contractor and the Alleged Third Parties and their relationship, if any, with the Group. We were also unable to obtain all the necessary collaborative evidence from the counterparties, including interviews with the Nanyang Construction Contractor and the Alleged Third Parties, to substantiate the nature of these transactions and their relationship, if any, with the Group. Management was also unable to provide us with adequate documentary evidence to support the impairment assessment of the amounts paid to the Nanyang Construction Contractor that were recorded in construction-in-progress and prepayments.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and commercial substance, occurrence, accuracy, completeness, classification, presentation and disclosure of the payments to the Nanyang Construction Contractor during the year ended September 30, 2014;

(ii) whether the effects of these transactions had been properly accounted for, classified and disclosed, including whether the write off of the construction-in-progress balance of RMB39,936,000 (equivalent to HK$50,713,000) and the prepayment balance of RMB2,736,000 (equivalent to HK$3,474,000) to administrative expenses together with the related cash flows presentation for the year ended September 30, 2014, as well as the remaining balances of construction-in-progress and prepayments as at the same date, were fairy stated; and

(iii) the accuracy and completeness of the disclosure of contingent liability, capital commitment or transactions and balances with related parties, if any, in relation to Nanyang Construction as at September 30, 2014.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

(3) Recoverability of receivables from, and possible relationship with, certain customers in Australia

A customer in Australia, together with its subsidiaries and affiliates (collectively the "**Australia Customers**"), was one of the Group's largest customers. Based on our understanding from management, due to the group restructuring of the Australia Customers, two new Australia companies were incorporated 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 amounted to HK$319,503,000. Since May 2014, Australia Customer B had begun to act as an import agent for Australia Customer A. The trade receivable balances (before write-off) outstanding from Australia Customer A (including the assignment of the payables originally due by the Australia Customers) and Australia Company B were HK$221,057,000 and HK$156,089,000, respectively, as at September 30, 2014.

Meanwhile, the Group had made sales of HK$38,089,000 to another new customer ("**Customer C**") during the year ended September 30, 2014.

As described in Note 2.1.1(C) 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 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 described in Note 2.1.1(C) to the consolidated financial statements, total outstanding trade receivables from Australia Customer A and Australia Customer B of HK$69,306,000 and HK$15,056,000, respectively (in relation to the sales executed during the year ended September 30, 2014 and the amounts assigned to Australia Customer A by the Australia Companies for the sales to the Australia Companies during the year ended September 30, 2014) and the outstanding trade receivables from Customer C of HK$15,740,000 as at September 30, 2014, had been written off to administrative expenses in the same year.

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). 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 thus the relationship of Customer C, if any, with the Group), nor were we able to interview the relevant counterparties identified in the Investigation. Management was also not able to provide us with adequate documentary evidence to support the rationale of recognising the write-off of trade receivables from Australia Customer A and Australia Customer B totalling HK$84,362,000 in the accounting period for the year ended September 30, 2014, and of the impairment assessment of the outstanding trade receivables from Customer C.

Because of the above scope limitations, there were no alternative audit procedures that we could perform 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 Company's consolidated financial statements as at and for the year ended September 30, 2014; and

(ii) whether the write-off of trade receivables from Australia Customer A, Australia Customer B and Customer C totalling HK$100,102,000 recognised during the year ended September 30, 2014 and the balance of outstanding trade receivables (after write-off) from Australia Customer A, Australia Customer B and Customer C totaling of HK$317,071,000 as at the same date were fairly stated; and whether such write-off was recognised in the proper accounting period.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

(4) Impairment of investment in and advances to, and possible relationship with, an associated company

As described in Note 2.1.1(D) 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 an associated company. As at September 30, 2014, the Group had advanced a total balance of HK$26,807,000 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 was identified.

Management was not able to obtain the financial information of Leading Sense Group nor were they able to contact its other shareholders or management since January 2015. Based on management's collectability assessment, the Group had written off its investment in and amounts due from the Leading Sense Group totaled HK$42,206,000 in the Company's consolidated financial statements for the year ended September 30, 2015.

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 from Leading Sense Group in relation to the outstanding advance balance. We were also unable to obtain satisfactory explanations and adequate evidence from management to ascertain whether there are other relationships between 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 impairment assessment of the investment and advance balances as at September 30, 2014, together with the basis and rationale of recognising the impairment in the accounting period for the year ended September 30, 2015.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and the commercial substance of the advances to the Leading Sense Group as at September 30, 2014;

(ii) the existence/occurrence, accuracy, valuation and completeness of the Group's advances to Leading Sense Group amounted to HK$26,807,000 as at September 30, 2014;

(iii) whether the write-off of the investment in and the amounts due from Leading Sense Group totalling HK$42,206,000, was recognised in the proper accounting period;

(iv) whether the investment in an associated company of HK$15,399,000, and the share of its loss and other comprehensive income of HK$2,130,000 and HK$5,000, respectively, were fairly stated in the Company's consolidated financial statements as at and for the year ended September 30, 2014; and

(v) whether the Group had any related party relationships with Leading Sense Group before its investment in August 2014, and thus the accuracy and completeness of the disclosures of related party balances or transactions in the Company's consolidated financial statements as at and for the year ended September 30, 2014.

Consequently, we were unable to determine whether any adjustment to these amounts and disclosures was necessary.

(5) Certain transactions conducted through personal bank accounts

As described in Note 2.1.1(E), the Investigation revealed certain records that contained descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts opened in the names of the chairlady of the Company, a former employee of the Group and individuals related to either the chairlady or the former chairman of the Company. Bank statements of some of these personal bank accounts were provided by certain banks. These personal bank accounts were operated and controlled by an employee in the finance department of the Group. These transactions had never been accounted for or recorded in the Company's consolidated financial statements.

Based on the findings of the Investigation, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors of the Group; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. The records indicated that the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43,966,000 (equivalent to HK$55,830,000) and RMB47,317,000 (equivalent to HK$60,085,000) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 were approximately RMB20,441,000 (equivalent to HK$25,957,000). We were not aware nor were we informed by management or the directors of the Company of these records or possible transactions in our prior years' audits.

The Current Board of Directors of the Company concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions were attributable to the Group, and therefore no accounting adjustments were made to the Company's consolidated financial statements with regard to this matter.

The complete set of the records identified in the Investigation and the related supporting documents were reportedly no longer retained by the Group. We were not provided with adequate supporting documents or explanations from management to enable us to validate whether these personal bank accounts were held by those individuals on behalf of the Group. We were also not able to obtain satisfactory and adequate evidence for the underlying supporting documents from the relevant banks in relation to these transactions, nor were we, despite making our requests through management, able to arrange interviews with the counterparties of the transferors and transferees identified in these records.

Because of the above scope limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) whether these personal bank accounts were in fact controlled by the Group and thus whether these transactions were attributable to the Group and therefore should have been recorded in the Company's consolidated financial statements;

(ii) the occurrence, accuracy, valuation, rights and obligations, existence and completeness of the transactions and balances conducted through these personal bank accounts and the related tax impacts, if any; and

(iii) whether the information and documents provided to us for the purpose of our audit were complete and accurate in all material respects, and whether the Company's consolidated financial statements and notes to the consolidated financial statements as at and for the year ended September 30, 2014, together with the corresponding figures, are free from material misstatements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and as to whether consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 currently manufacture three categories of products: (i) Electronics Parts, (ii) Construction and Industrial Products and (iii) Branded OPLV Products.

The total operating revenue of the Group for the year ended September 30, 2014 ("**Year Under Review**") was HK$2,827 million (2013: HK$2,584 million), representing an increase of 9% as compared with the year ended September 30, 2013. The Group's overall gross profit margin decreased from 23% for the year ended September 30, 2013 to 20% for the Year Under Review; and the net profit after tax attributable to shareholders has declined substantially to HK$2.6 million (2013: HK$213.5 million). The major reasons for the decrease in gross profit margins were (i) due to increase in aluminium price; (ii) an increase in our fixed production cost and operating expenses such as increased workforce, operating lease and related expenses; and (iii) the weak performance of the Australian Dollars ("**AUD**") in the Year Under Review. The Group's net profit after tax decreased from HK$213.5 million for the year ended September 30, 2013 to HK$2.6 million for the Year Under Review was due to, inter alia, the write off of HK$187.3 million arise from the findings of the investigation conducted by the independent professional adviser which are set out in Note 2.1.1 of the Company's consolidated financial statements in this announcement and increase in legal and professional fees amounting to HK$34.9 million mainly for compliance with the Rules Governing the Listing of Securities on The Stock Exchange ("**Listing Rules**").

Comparing the Year Under Review with the year ended September 30, 2013, revenue from the Electronics Parts segment, that from the Construction and Industrial Products segment and that from the Branded OPLV Products segment has risen by 10%, 11% and 3% respectively.

Revenue contributions by respective segments for the years ended September 30, 2013 and 2014 are presented below:

	Revenue for the year ended September 30		**The percentage of total revenue for the year ended September 30**	
	2014	2013	**2014**	2013
	(HK$ million)	*(HK$ million)*		
Business Segment				
– Electronics Parts	**1,453**	1,320	**51.4%**	51.1%
– Construction and Industrial Products	**1,041**	940	**36.8%**	36.4%
– Branded OPLV Products	**333**	324	**11.8%**	12.5%
Total	**2,827**	2,584	**100.0%**	100.0%
Geographical Segment				
– The PRC	**1,883**	1,708	**66.6%**	66.1%
– Australia	**756**	741	**26.8%**	28.7%
– North America	**23**	24	**0.8%**	0.9%
– Hong Kong	**108**	67	**3.8%**	2.6%
– Others	**57**	44	**2.0%**	1.7%
Total	**2,827**	2,584	**100.0%**	100.0%

Electronics Parts

The Electronics Parts segment contributed HK$1,453 million to the total revenue of the Group, representing an increase of 10% as compared with HK$1,320 million for the year ended September 30, 2013. However, gross profit margin declined from 28% to 25%. This is attributable to increasing complexity in the products being produced which resulted in higher production costs per unit. Further, as a result of increasing competition in the industry, it is challenging for the Group to pass the higher production costs on to the customers.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment are HK$1,041 million (2013: HK$940 million) and 16% (2013: 18%) respectively for the Year Under Review. The Group has maintained its market share in Australia and revenue from the Australia and Hong Kong market recorded a small growth as compared to the year ended September 30, 2013. As the selling price to the Australian market is in AUD, the continual weakening of AUD in 2014, together with increasing prices of aluminium and other raw materials, have reduced the gross profit margin of the Construction and Industrial Products segment.

Branded OPLV Products

The Group has continued to develop the Branded OPLV Products market in Mainland China by engaging additional distributors for selling Branded OPLV Products. While revenue from Branded OPLV Products increased by 3% from HK$324 million for the year ended September 30, 2013 to HK$333 million for the Year Under Review, the gross profit margin decreased from 19% for the year ended September 30, 2013 to 10% for the Year Under Review. This is largely attributable to increasing product customization requested by the customers and at lower quantities per order, which increased production costs and reduced gross profit margin. Further, as a result of increasing competition in the industry, sales volumes and increase market exposure – this has resulted in the Branded OPLV Products segment to be overall loss-making.

In order to enlarge the market shares, the Group will (i) continue explore new customers especially in the Electronics Parts segment in order to reduce reliance on top customers; (ii) promote new products to Australian customers specifically those new products which are not subject to anti-dumping duties; and (iii) continue to look for other measures and opportunities that may minimize the impact of fluctuation of foreign currency to the Group's performance.

Cost of sales

Cost of sales increased by 15% from HK$1,985 million for the year ended September 30, 2013 to HK$2,273 million for the Year Under Review. This is in line with the 9% increase in sales from HK$2,584 million for the year ended September 30, 2013 to HK$2,827 million for the Year Under Review. The increase in cost of sales over sales is mainly attributable to the increase in aluminium price and other production costs arising from increasing product complexity and/or customization.

Gross profit

Our gross profit decreased by 8% from HK$599 million for the year ended September 30, 2013 to HK$554 million for the Year Under Review. Our gross profit margin decreased from 23% for the year ended September 30, 2013 to 20% for the Year Under Review is attributable to a combination of external and internal factors. Externally, unfavorable macro factors, including volatility in each of the market the Group operates, depreciation of AUD against HKD, our reporting currency, which affected the selling price and profitability of the Group's export sales to Australia. Internally, gross profit decreased due to increased production costs arising from increasing product complexity and/or customization. While the strategy and action plans highlighted above to minimize the impact on the Group's profitability are being executed, it will take some time to implement all the necessary measures.

Distribution and selling expenses

Distribution and selling expenses rose by 25% from HK$100 million for the year ended September 30, 2013 to HK$125 million for the Year Under Review. The increase was mainly due to the increase in transportation expenses for higher sales volume and an increase in travelling expenses for development and marketing of Electronics Parts and Branded OPLV Products.

Administrative expenses

Administrative expenses rose by 84% from HK$263 million for the year ended September 30, 2013 to HK$484 million for the Year Under Review. The increase was mainly due to, inter alia, the write off of HK$187.3 million arise from the findings of the investigation conducted by the independent professional adviser which are set out in Note 2.1.1 of the Company's consolidated financial statements in this announcement and increase in legal and professional fees amounting to HK$34.9 million mainly for compliance with the requirements of the Listing Rules.

Other income

Other income increased from HK$1.9 million for the year ended September 30, 2013 to HK$147.8 million for the Year Under Review. The Group was entitled to a government grant amounting to HK$145.7 million during the Year Under Review from the People's Government of Wolong District (the "**Wolong District Government**") which was resulted from a supportive preferential policy pursuant to the investment agreement entered into between the Group and Wolong District Government (the "**Investment Agreement**") under which the Group was entitled to receive certain government incentives for its development of a high technology plant in Nanyang City. All grants had been received by the Group during the Year Under Review.

Other losses – net

Other losses increased from a HK$37.4 million loss for the year ended September 30, 2013 to a HK$43.7 million loss for the Year Under Review. The increase was mainly due to the increase in loss on aluminium futures contracts.

Finance income

Finance income climbed by 95% from HK$1.5 million for the year ended September 30, 2013 to HK$3.0 million for the Year Under Review. The increase was mainly due to the increased interest income from our bank deposits.

Finance costs

Finance costs decreased by 18% from HK$22.4 million for the year ended September 30, 2013 to HK$18.3 million for the Year Under Review. The decrease was mainly due to a decrease in usage of borrowings with higher interest rate.

Income tax (expense)/credit

Our income tax changes from income tax credit of HK$33.8 million for the year ended September 30, 2013 to an income tax expense of HK$28.5 million for the Year Under Review was primarily due to the finalization of the PRC corporate income tax assessments for the years up to 2010 during the year ended September 30, 2013.

Currency translation differences

Currency translation differences were HK$2 million for the Year Under Review which was mainly attributable to the depreciation of Renminbi ("**RMB**") against the HKD.

Prospects

Sales of Electronics Parts continued to pick up with new products and new customers being developed. The Group will continue to strengthen its research and development capability to develop more new products with high quality to meet the market demand.

We expect the sales to Australia will remain stable with positive progress. Subsequent to the year-end date, Australia subsidiaries had started operation to conduct sales. The Group will continue to look for opportunities to develop new customer base and new markets other than Hong Kong and Macau.

The Group acquired seven parcels of land with area of 728,041 square meters in Nanyang City through a public tender process in March 2014. In April 2014, the Group further acquired an adjacent land with area of 68,945 square meters in Nanyang City through a public tender process. With the new lands acquired, the Group can integrate better its existing production facilities and expand its production capacity further to meet the growing demand of high quality products. Phase 1 of the Group's integrated manufacturing facility for aluminium alloy products has officially commenced production on October 23, 2015.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at September 30, 2014 the Group had HK$387.1 million cash and cash equivalents (2013: HK$498.7 million) and had no fixed bank deposits (2013: HK$300.0 million), interest-bearing borrowings of HK$480 million denominated in RMB and United States Dollars ("**USD**") (2013: HK$499 million denominated in HKD, RMB & USD) and obligation under finance leases of HK$7.7 million denominated in HKD (2013: HK$1.3 million denominated in HKD).

Charges on Asset

HK$9.0 million (2013: HK$9.3 million) of land use rights, HK$24.5 million (2013: HK$27.2 million) of buildings and HK$162.4 million (2013: HK$180.1 million) of trade receivables of the Group were pledged as security for the Group's bank borrowings.

Summary of key financial ratios

	For the year ended September 30, **2014**	2013
Gross Profit Margin (1)	**19.6%**	23.2%
Return on Equity (2)	**0.14%**	11.9%
Interest Coverage Ratio (3)	**2.53**	8.95

	As at September 30, 2014	As at September 30, 2013
Current Ratio (4)	**1.97**	2.66
Quick Ratio (5)	**1.63**	2.23
Gearing Ratio (6)	**27.2%**	27.9%
Debt to Equity Ratio (7)	**5.6%**	0.1%

(1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.

(2) The calculation of Return on Equity is based on profit for the year divided by total equity and multiplied by 100%.

(3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.

(4) The calculation of Current Ratio is based on current assets divided by current liabilities.

(5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.

(6) The calculation of Gearing Ratio is based on total borrowings and obligations under finance leases divided by total equity multiplied by 100%.

(7) The calculation of 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 September 30, 2014 and September 30, 2013, the Company's issued share capital was HK$120,000,000, divided into 1,200,000,000 shares of HK$0.1 each.

Foreign Exchange and Other Risk

We continued to receive AUD and USD from our sales to major customers during the 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. We hedged AUD exchange risk against HKD during the Year Under Review. We purchased plain foreign-exchange forward contracts to hedge the Group's exposure to foreign-exchange risk and did not enter into any high-risk derivative instrument contracts during the Year Under Review.

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

Significant Investment, Material Acquisition and Disposal

On October 1, 2013, the Group entered into an Investment Agreement with Nanyang City government for the establishment of an aluminium alloy production base in Nanyang City. Pursuant to the Investment Agreement, the Group was successful in the auctions (listing-for-sale) organized by Wolong Land Bureau and acquired the land use rights of seven parcels of land located in Nanyang City in March 2014.

On April 18, 2014, the Group was successful in another auction and acquired the land use right of another parcel of land that is adjacent to the seven parcels of land acquired in March 2014.

Details of the above transactions are set out in the announcements of the Company dated October 1, 2013, March 14, 2014, March 20, 2014 and April 21, 2014.

On July 3, 2014, a subsidiary of the Company entered into an agreement with a supplier for acquisition of equipment for an aggregate consideration of RMB96.4 million (equivalent to approximately HK$121.7 million). The Group also acquired equipment and machinery from the supplier with aggregate consideration of RMB48.9 milliion (equivalent to approximately HK$61.8 million) in March 2014.

On February 2, 2015, a supplemental agreement was entered into with the supplier to amend the total consideration for the acquisitions from RMB145.3 million (equivalent to approximately HK$183.5 million) to RMB85.3 million (equivalent to approximately HK$106.7 million).

Details of the acquisition of equipment are set out in the announcements of the Company dated July 3, 2014 and February 12, 2015.

On August 28, 2014, PanAsia Enterprises Group Limited ("**PanAsia Enterprises**"), a wholly-owned subsidiary of the Company, and Leading Sense Limited ("**Leading Sense**"), a company incorporated in the British Virgin Islands which principally engaged in the development, production and trading of smart phones, electronics products and related parts and components, entered into a subscription agreement for the subscription of 45% of the issued share capital of the Leading Sense at the consideration of HK$17,524,000 by PanAsia Enterprises.

Ms. Ng Bonnie Po Ling, the then executive Director, had 33.3% interest in one of the share holding companies of the Leading Sense, and such share holding company holds approximately 13.6% of the issued share capital of the Leading Sense before the subscription.

Details of the subscription agreement are set out in the announcement of the Company dated August 28, 2014.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at September 30, 2014 were approximately HK$163 million (2013: HK$7 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

As at September 30, 2014, the Group had no material contingent liabilities (2013: Nil).

Subsequent Events after the Reporting Period

(a) *Announcing and commencing the implementation of construction project*

On April 8, 2015, PACL entered into a construction contract with 河南冠亞建築工程有限責任公司 ("**Contractor**") by constructing and building three CNC workshops of the Group's production facility at Nanyang, with total consideration of approximately RMB56.9 million (equivalent to approximately HK$71.9 million). On November 17, 2015, PACL further entered into another construction contract with the Contractor by constructing and building a workshop at the Group's production facility at Nanyang, with total consideration of approximately RMB46.6 million (equivalent to approximately HK$57.6 million). For details, please refer to the announcements of the Company dated April 8, 2015 and November 17, 2015.

(b) *Investment in Xinjiang*

On April 10, 2015, PanAsia Aluminium (Hong Kong) Limited, 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 at Xinjiang to produce high-end aluminium rods and aluminium rolled products. 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 as consideration of approximately RMB3.6 million, which was waived by the JBLR. For details, please refer to the announcement of the Company dated April 13, 2015.

(c) *Change of the financial year end date*

On September 30, 2016, the Board approved that the financial year end date of the Company will be changed from September 30, to December 31. Accordingly, the financial period will cover a period of fifteen months from October 1, 2015 to December 31, 2016.

(d) *Changes of Directors subsequent to reporting period up to the date of this announcement are as follows:*

- Mr. Marcus Pan (ceased as CEO on October 1, 2014, ceased as Chairman and executive Director on December 15, 2014 as he considered that he did not have personal capacity to continue with the task.)

- Ms. Shao Liyu (appointed as the chairlady of the Company on December 16, 2014 and ceased on November 9, 2017, appointed as the CEO on April 22, 2015)

- Ms. Ng Bonnie Po Ling (appointed as the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015 and ceased as an executive Director on October 1, 2015 as the expiration of her term.)

- Mr. Chan Nim Leung Leon (ceased as an independent non-executive Director on December 4, 2014 due to his other business commitments which require more of his time.)

- Mr. Fung Chi Kong Felix (ceased as an executive Director on October 1, 2014 as he had to devote more time to handle his personal affairs.)

- Mr. Liu Hoi Keung (re-designated from an independent non-executive Director to an executive Director and the Joint CEO on October 1, 2014, ceased as the Joint CEO on April 22, 2015, re-designated as a non- executive Director on July 17, 2015, and ceased as a Director on October 1, 2015 as the expiration of his term.)

- Mr. Xing Hui Min (ceased as an executive Director on January 1, 2015 as he intended to focus on the production management of the Group.)

- Mr. Zhu Hongtao (appointed as an executive Director on January 1, 2015)

- Mr. Lee Hui Fu (ceased as a non-executive Director on January 1, 2015 due to his other business commitments which required more of his attention.)

- Mr. Ma Yu Yan (appointed as an executive Director on July 1, 2015, ceased on May 9, 2017 due to health reason.)

- Mr. Cheung Chun Sing Horatio (appointed as an independent non-executive Director on October 1, 2014 and ceased on October 1, 2015 as the expiration of his term.)

- Mr. Tsang Wah Kwong (ceased as an independent non-executive Director on January 18, 2016 as he required more time to pursue his other business engagements.)

- Mr. Tsang Ming Chit Stanley (appointed as an independent non-executive Director on February 11, 2015 and ceased on February 11, 2016 as he required more time to pursue his other business engagements.)

- Mr. Ching Yu Lung (appointed as an independent non-executive Director on October 1, 2015 and ceased on February 28, 2016 as he would like to devote more time to his other work commitments.)

- Mr. Choi Tze Kit Sammy (appointed as an independent non-executive Director on February 11, 2016 and ceased on February 11, 2017 as the expiration of his term.)

- Mr. Lam Kwok Fai Osmond (appointed as an independent non-executive Director on March 21, 2016 and ceased on March 21, 2017 as the expiration of his term.)

- Mr. Tang Warren Louis (appointed as an independent non-executive Director on March 21, 2016 and ceased on March 21, 2017 as the expiration of his term.)

- Mr. Cosimo Borrelli (appointed as a non-executive Director on May 27, 2016 and appointed as the Non-Executive Chairman of the Company on November 9, 2017)

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

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

- Mr. Chan Kai Nang (appointed as an independent non-executive Director on February 24, 2017)

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

- Mr. Chan Kai Lun Allan (appointed as an executive Director on March 27, 2017)

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

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

(a) the Company conducts 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 Under Review, disclose the findings and take any remedial actions;

(b) the Company publishes all outstanding financial results and addresses any audit qualifications;

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

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

As announced by the Company on December 19, 2014, the Company has set up a First Independent Committee comprised 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 the Investigation.

As announced by the Company on March 17, 2015, the First Independent Committee has engaged an independent legal adviser and appointed 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)
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 Current 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 pages 51 to 58 of this announcement.

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 September 30, 2014, the Group employed approximately 4,700 staff (2013: 4,400). 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$287 million (2013: HK$309 million).

Investigation

As disclosed in the announcement of the Company dated December 19, 2014, the auditor of the Company has identified certain matters ("**Matters**") during the course of its audit of the consolidated financial statements of the Company for the year ended September 30, 2014. As disclosed in the announcement of the Company dated December 19, 2014, the former board of directors of the Company ("**Former Board**") established an independent committee, comprising two independent non-executive Directors, namely Mr. Cheung Chun Sing Horatio and Mr. Tsang Wah Kwong ("**First Independent Committee**"). In March 2015, the First Independent Committee engaged an independent professional adviser ("**IPA**") to conduct an investigation on the Matters ("**Investigation**").

Following the departure of the two members of the First Independent Committee on October 1, 2015 and January 18, 2016 respectively, the Company established a new Independent Committee, comprising all the then independent non-executive Directors ("**Second Independent Committee**") in early February 2016 to review and follow-up the investigation report issued by the IPA on January 15, 2016. Upon the request of the auditor, the Second Independent Committee further engaged the IPA to carry out a follow-up investigation in March 2016. Upon the expiry of the term of office, all members of Second Independent Committee ceased to be independent non-executive directors of the Company and members of the Second Independent Committee in February/March 2017 despite the outstanding matters of the Investigation. The Company swiftly appointed experienced professionals to fill the resultant vacancies. A new

Independent Committee, comprising all independent non-executive directors of the Company ("**Third Independent Committee**") was constituted to follow-up the Investigation. The IPA issued investigation reports on January 15, 2016 and August 30, 2017 respectively and as a result, the Investigation was completed on August 30, 2017. Details of the key findings of the Investigation are set out in the announcement of the Company dated October 6, 2017.

The Company's management has acted in compliance with and fully co-operated with the IPA during the Investigation. All information has been provided to the IPA with regards to the Investigation to the extent that such information existed and was available; interviews were arranged for the IPA to the extent that those arrangements were possible.

Findings of the Investigation and relevant steps taken

The findings of the Investigation that concluded on August 30, 2017 and the relevant steps taken are summarized below:

1. Construction in Progress

   During the Year Under Review, a series of payments totaled RMB42.7 million (equivalent to HK$54 million) were paid to a construction company incorporated in the PRC ("**Nanyang Construction Contractor**") and recorded as construction in progress ("**CIP**") in the books of PanAsia Aluminium (China) Co., Ltd. ("**PACL**") for the construction of the Nanyang factory. Upon review of the fund flows, the money paid to the Nanyang Construction Contractor were transferred to various parties, which included subcontractors of the construction work.

   However, the construction work described in the agreement signed between the Nanyang Construction Contractor and PACL was not completed and could unlikely be completed by the Nanyang Construction Contractor as the agreement has been voided.

   The management of the Company (the"**Management**") is of the view that the chance of recovering the payments to the Nanyang Construction Contractor being remote. It is unlikely that these payments will derive any future economic benefit to the Group. Therefore, an impairment of RMB42.7 million (equivalent to HK$54 million) of the CIP was proposed in accordance with the Hong Kong Accounting Standards 36 "Impairment of Assets" ("**HKAS 36**"). The Management is of the view that such impairment is not substantial to cause a material adverse change to the Company's business and financial condition.

   In view of the above, the Management has implemented some improvements to the internal control system in monitoring the CIP. The Group has engaged a reputable construction supervision company to monitor the construction. The supervision company would ensure the quality standard are met and report the progress of the construction to Management.

The Management has also established internal control for preventing similar incident from happening again. If any estimated construction value exceeds a certain pre-determined value and/or budget, such construction will require approval from the board of directors of the Company. Contractors for all future construction must also be independent third parties. The Company will also conduct appropriate background checks against such contractors so as to identify any connected persons or related parties. The Company will also instruct its legal advisor to review the contracts between the Company and the main contractors. If appropriate, the Company will also instruct its legal advisor to review the contracts between the main contractors and the sub-contractors.

2. Inventory – Aluminium Ingots

The Management is aware that during the Year Under Review, former management instructed the finance team of PACL to modify the output production rate of aluminium bars maintained by the finance department which resulted in the increase in consumption records of aluminium ingots and aluminium scraps. In addition, the finance team was instructed to create weight sheets to support additional receipts of aluminium ingots purchased so that the increase in consumption of aluminium ingots and aluminium scraps would not result in a negative balance of inventories. The creation of weight sheets resulted in difference between the finance department records and warehouses department records of 1,183 tons of goods-in-transit as at September 30, 2014.

According to the IPA's investigation report, the revision caused an increase in cost of goods sold by approximately RMB43.6 million (equivalent to HK$55.4 million) for the Year Under Review. Based on the findings of the Investigation and the information available, the Current Board considers that these aluminium ingots might have been consumed in the production process. However, the relevant supporting documents and records were incomplete, such that the Group was unable to precisely explain and quantify the discrepancies identified. Under these circumstances, the Current Board considered that recording such possible loss in cost of sales in the Company's consolidated financial statements was a pragmatic way to dispose of the discrepancies identified. As a result, no adjustment was made to the Company's consolidated financial statements as at and for the year ended September 30, 2014 in respect of the discrepancies identified in the aluminium ingots receipt and consumption records.

In the normal course of business, the Group prepays its suppliers for purchase of aluminium ingots. As at September 30, 2014, the Group had prepaid RMB31.6 million (equivalent to HK$40 million) to a new major supplier ("**Supplier A**") which was one of the largest aluminium ingots vendors of the Group since August 2013. The Group also had aluminium ingots in-transit of RMB15.8 million (equivalent to HK$20 million) to be received from Supplier A as at the same date. There were possible connections between Supplier A and certain of the Group's customers in Australia.

The Group has continuously followed up with the Supplier A for subsequent delivery of aluminium ignots. However, aluminium ingots totalling only RMB16.1 million (equivalent to HK$20 million) were subsequently delivered to the Group by Supplier A. In this connection, a claim was lodged by the Group in May 2015 against Supplier A through legal proceedings in the PRC to recover outstanding balances paid to Supplier A. On December 29, 2016, the PRC court ruled in favour of the Group which had recovered a cash settlement of RMB5.4 million (equivalent to HK$6.7 million). The current board of directors of the Company comprising Ms. Shao Liyu, Mr. Zhu Hongtao, Mr. Chan Kai Lun Allan, Mr. Cosimo Borrelli, Ms. Chi Lai Man Jocelyn, Mr. Mar Selwyn, Mr. Chan Kai Nang and Mr. Leung Ka Tin ("**Current Board**") considered that it is unlikely to recover the remaining outstanding amounts of RMB26 million (equivalent to HK$33 million) in total, and had therefore made an impairment provision of an equivalent amount against such outstanding balance. The impairment provision has been included in the administrative expenses during the Year Under Review (see Note 5). The Management is of the view that such impairment is not substantial to cause material adverse change to the Company's business and financial condition.

In view of the above, the Management has implemented measures to enhance the internal control to prevent similar incident from happening in future. There are now independent review procedures adopted by the factory, operations management department and finance department. For example, the smelting production line will conduct physical count of the aluminium ingots on a monthly basis. Personnel from the smelting production line will provide its records for the operations management department to maintain. The operations management department will in turn provide the finance department with all documents supporting the receipt of aluminium ingots for the finance department to review. There are also procedures for reviewing the output rate of production of aluminium bars. The operations management department would review the same every month and prepare reports on monthly consumption analysis for aluminium ingots and aluminium scraps consumed. The Management will then review such reports. If the reports indicate that the output rate and the monthly consumption is out of the norm, the operations management department will investigate and report to the Management who will take any necessary steps to deal with any irregularity.

3. Relationship with Australia Customer A (and Certain Customers in Australia)
The Group had total trade receivable balances of approximately HK$412.5 million due from its major Australia Customers, namely, Australia Customer A, Australia Customer B and Customer C as at September 30, 2014.

The Management is aware that Pan Manqing ("**Ms. Pan**"), sister of Marcus Pan ("**Mr. Pan**"), the former chairman of the Company, held 70% of the shareholding of Australia Customer A, a customer of the Group during the Year Under Review, from July 11, 2014 to November 20, 2014. As such, the Management is of the view that Ms. Pan was an associate of a connected person, and Australia Customer A also became a connected person of the Group. There is no evidence indicating that Ms. Pan was holding Australia Customer A on behalf of the Mr. Pan.

Total sales and rental income charged to Australia Customer A from July 11, 2014 to September 30, 2014 amounted to approximately HK$1.0 million (around 0.03% of total revenue) and HK$0.1 million (around 0.07% of total other income) respectively. The Management considered that the connected transactions with Australia Customer A during the Year Under Review was immaterial to the Group and assessed that the transactions are exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.73 of the Listing Rules.

The Current Board did not consider Australia Customer A and Australia Customer B as related parties of the Group, as the Group did not have significant influence over them. Therefore, sales to Australia Customer A and Australia Customer B are exempted from the disclosure requirements under Hong Kong Accounting Standards 24 "Related Party Transactions".

The Management was not aware of any evidence indicating that Australia Customer B and Customer C were connected persons or related parties, as respectively defined in the Listing Rules and Hong Kong Financial Reporting Standards.

As a result of the claims and winding up proceedings filed by the Group against Australia Customer A and Australia Customer B, both companies were placed into voluntary administration ("**Liquidation**") in August 2015. According to the liquidation report, Australia Customer A and Australia Customer B have had solvency problem prior to September 30, 2014. Up to the date of this announcement, the Group has collected and recovered from the Liquidation process a total amount of approximately AUD23.1 million (equivalent to approximately HK$157.1 million) from Australia Customer A and Australia Customer B. No recovery has been made from Customer C. An impairment provision of approximately HK$95.4 million was made as at September 30, 2014. As of the date of this announcement, the Liquidation is still in progress.

4. Mobile business (Sponsorship of a concert)
During the Year Under Review, the Group invested HK$17.5 million in Leading Sense and its subsidiaries ("**Leading Sense Group**"), which were engaged in manufacturing and trading of mobile phones (the "**Mobile Business**"). In addition, the Group has also purchased certain inventories and properties, plants and equipment and provided manpower to support the production of the Mobile Business. These advances had been recorded by the Group as amount due from an associated company. The Company has obtained a legal advice that the investment in the Leading Sense Group was not a connected transaction of the Group under Chapter 14A of the Listing Rules.

The total amount paid by the Group on behalf of the Leading Sense Group was approximately HK$26.8 million, which was recorded as amount due from the Leading Sense Group in the book of the respective group companies. RMB1.1 million (equivalent to HK$1.4 million) was paid to an organizer of the concert in PRC.

Since January 2015, no management financial statements of the Leading Sense Group were submitted to the Group and the Management was not able to contact the other shareholders of the Leading Sense Group or the accountant of the Leading Sense Group. In light of the circumstances, the Management ceased funding to the Mobile Business so as to avoid further losses to be incurred.

In accordance with HKAS 36, discontinuation of the Mobile Business is an indicator of impairment for the investments in the Leading Sense Group and the properties, plants and equipment purchased.

Based on the review of the management accounts of the Leading Sense Group, the capital invested by the Group was substantially used for the purchase of inventories and machinery for production.

Due to the loss of contact with the other shareholders of the Leading Sense Group and the accountant of the Leading Sense Group, the Management is of the view that the chance of recovering the amounts invested and advanced to Leading Sense Group being remote. Considering that the Leading Sense Group was acquired by the Group in late August 2014, it would be too early at the end of Year Under Review to conclude the recoverability of these amounts. During the year ended September 30, 2015, the Group had made further advances to Leading Sense Group from which total balance due amounted to HK$47,503,000. The investment in an associated company of HK$15,399,000 and amount due from an associated company of HK$44,841,000, after taking into account the subsequent settlement received from Leading Sense Group, had been written off and charged to the administrative expenses for the year ended September 30, 2015.

5. Personal accounts

The Investigation has identified certain records ("**Personal Bank Account Records**") that contain descriptions of cash withdrawals, transfers and receipts during the period from February 2011 to December 2013 conducted through certain personal bank accounts which were reportedly connected to Mr. Pan (and his then family members), and a former employee who appearing to have roles or connections with the Group and key customers of Group in Australia concurrently. These personal bank accounts were operated and controlled by an employee in the finance department of PACL. Bank statements of some of these personal bank accounts were also provided by certain banks. Based on the descriptions in the Personal Bank Account Records, these transactions appeared to mainly include (1) receipts from certain aluminium ingots suppliers or other vendors; (2) cash deposits from other unidentified parties; and (3) withdrawals in cash and alleged payments of salaries and bonuses to employees of the Group. These transactions were not accounted for or recorded in the Company's consolidated financial statements.

Based on the findings of the Investigation, the total amounts received through these personal bank accounts during the period from February 2011 to December 2013 from certain aluminium ingots suppliers and other vendors were approximately RMB43.9 million (equivalent to HK$55.8 million) and RMB47.3 million (equivalent to HK$60.1 million) respectively. Moreover, the total alleged payments of salaries and bonuses to employees of the Group made through these personal bank accounts during the period from February 2011 to December 2013 was approximately RMB20.4 million (equivalent to HK$26.0 million).

The Investigation also identified certain incomplete ledgers (which did not form part of the accounting records of the Group ("**Incomplete Ledgers**")) that recorded certain payments and receipts transactions, some of which were similar to those described in the Personal Bank Account Records. However, there were no underlying supporting documents or other evidence available to substantiate the nature of these transactions. Complete sets of the Personal Bank Accounts Records and the Incomplete Ledgers and the related supporting documents were reportedly no longer retained.

The Current Board is of the view that they could not obtain sufficient evidence to support that these personal bank accounts were held by individuals on behalf of the Group and that the relevant transactions conducted through these personal bank accounts were attributable to the Group. Based on the limited information available, management and the Current Board concluded that there was no solid and persuasive evidence which could clearly indicate that these transactions should be accounted for and recorded by the Group. Accordingly, the Current Board considered that no accounting adjustments are required to be made to the Company's consolidated financial statements with regard to this matter.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, January 5, 2018 to Wednesday, January 10, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, January 10, 2018 ("**AGM**"), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, January 4, 2018.

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 has made specific enquiry of all Directors regarding any non-compliance with the Model Code and all former Directors holding office as at September 30, 2014 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 cannot make any representation about the adoption and/or compliance of the principles and applicable provisions of the Code on Corporate Governance Practice (the "**CG Code**") set out in Appendix 14 of the Listing Rules by the Company and/or the former directors for the Year Under Review. However based on the information available to the Current Board, the Company had the following deviations from the Code during the Year Under Review.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer ("**CEO**") should be separated and should not be performed by the same individual.

During the Year Under Review, Mr. Marcus Pan was the chairman and also the CEO of the Company responsible for overseeing the operations of the Group. The Company has separated the role of Chairman and CEO between October 1, 2014 and April 22, 2015. Mr. Marcus Pan resigned as CEO and Ms. Ng Bonnie Po Ling and Mr. Liu Hoi Keung were appointed as joint CEO (as announced on September 24, 2014.)

Financial Reporting

Furthermore, subsequent to the Year Under Review, and as announced on December 19, 2014, the Company has, upon the recommendation of the Auditor, resolved to appoint the independent professional adviser ("**IPA**") to investigate into matters raised by the Auditor ("**Issues**"), including but are not limited to, (1) the transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang, the PRC; (2) the discrepancies found on certain of the Group's inventory receipt records in relation to the Group's raw materials procurement; (3) the relationship between the Group and certain Australia customers; and (4) details and supporting documents on certain expenses. The Former Board has established an independent committee, comprising the independent non-executive Directors, to supervise and oversee the investigation of the Issues. As the investigation on the Issues was only concluded in August 2017, the annual results of the Company for the Year Under Review is 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 year ended September 30, 2014, September 30, 2015, and 15 months ended December 31, 2016 and the interim results for the six months ended June 30, 2017; (ii) publishing the related interim and annual report for the aforesaid years; and (iii) complying with the Code Provision C.1. The Company has not held its annual general meeting since 2015 for the approval of annual results for the aforesaid years.

Review of Accounts

The Company has an audit committee (the "**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 and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the 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 Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.palum.com). The annual report of the Company for the year ended September 30, 2014 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 Stock 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

November 22, 2017

As at the date of this announcement, the executive directors of the Company are Ms. Shao Liyu, Mr. Zhu Hongtao and Mr. Chan Kai Lun Allan; 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. Chan Kai Nang and Mr. Leung Ka Tin.