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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

Financial Highlights

- Revenue for the six months ended June 30, 2017 was HK$781 million, a decrease of 3.6% compared with HK$810 million for the corresponding period in year 2016;
- Gross profit for the six months ended June 30, 2017 was HK$81 million, a decrease of 21.9% as compared with HK$103 million for the corresponding period in year 2016;
- Loss attributable to owners of the Company for the six months ended June 30, 2017 was HK$99 million, compared with a loss HK$62 million for the corresponding period in year 2016; and
- Basic loss per share for the six months ended June 30, 2017 of 8.3 HK cents (six months ended June 30, 2016: 5.1 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 unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

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

	Notes	Unaudited Six months ended June 30, 2017 HK$'000	Unaudited Six months ended June 30, 2016 HK$'000
Loss for the period		**(99,985)**	(62,281)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**18,361**	(29,924)
Total comprehensive income for the period		**(81,624)**	(92,205)
Loss per share for loss attributable to the equity holders of the Company (Basic and diluted HK cents per share)	*12*	**(8.3)**	(5.1)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at June 30, 2017

	Notes	**Unaudited June 30, 2017 *HK$'000***	Audited December 31, 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**997,557**	853,757
Land use rights		**290,598**	270,846
Investments accounted for using the equity method		**12,437**	16,107
Deposits and lease prepayments		**4,553**	3,167
Prepayments for property, plant and equipment		**95,725**	127,392
		1,400,870	1,271,269
Current assets			
Inventories		**366,412**	314,134
Trade and bills receivables	*5*	**362,969**	414,333
Prepayments, deposits and other receivables		**97,718**	106,159
Due from a related company	*6*	**1,566**	934
Due from the investments accounted for using the equity method	*6*	**27,438**	16,975
Pledged bank deposits		**54,584**	64,464
Cash and cash equivalents		**44,033**	35,209
		954,720	952,208
Total assets		**2,355,590**	2,223,477
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**120,000**	120,000
Reserves		**907,305**	988,110
Equity attributable to owners of the Company		**1,027,305**	1,108,110
Non-controlling interests		**547**	1,366
Total equity		**1,027,852**	1,109,476

	Notes	Unaudited June 30, 2017 HK$'000	Audited December 31, 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion		**136**	4,955
		136	4,955
Current liabilities			
Trade payables	*7*	**146,702**	153,696
Other payables and accrued charges		**311,227**	285,601
Due to the investments accounted for using the equity method	*6*	**153**	198
Borrowings		**754,275**	559,543
Obligations under finance leases – current portion		**8,545**	19,073
Deferred Income		**19,219**	3,950
Current income tax liabilities		**87,481**	86,985
		1,327,602	1,109,046
Total liabilities		**1,327,738**	1,114,001
Total equity and liabilities		**2,355,590**	2,223,477

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The condensed consolidated interim financial information for the six months ended June 30, 2017 has been prepared in accordance with HKAS 34 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. Key events

As disclosed in the annual report of 2016, the predecessor auditor of the Company identified certain matters during the course of its audit of the consolidated financial statements of the Company for the year ended September 30, 2014 and an investigation on certain matters by an independent professional advisor was undertaken. The basis for disclaimer of opinion in the 2015 Independent Auditors Report. The basis for qualified opinion is also set out in the 2016 Independent Auditors Report.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2016, as described in those annual consolidated financial statements.

(a) Estimation of income tax:

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

(b) Changes in accounting policy and disclosures:

(1) Amendments to HKFRSs effective for the financial year ended December 31, 2016 do not have a material impact on the Group.

(2) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 "Financial Instruments"

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

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

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. The directors expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39. The Group considers that the adoption of the new standard of HKFRS 9 will not have significant impact on the Group's financial position and financial performance.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after January 1, 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

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

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

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

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

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

(iii) HKFRS 16 "Leases"

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

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

4. Revenue and Segment Information

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

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

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

The description of each reportable product segment is as follows:

Reportable product segment	**Type of products**
Electronics parts	Aluminium parts for consumer electronics products, examples include heat sinks and chassis for computers
Branded OPLV products	Door and window frames systems marketed under "OPLV" brand and sold through distributors
Construction and industrial products	Products sold for construction and industrial use, examples include window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods

The segment information for the operating segments for the six months ended June 30, 2017 is as follows:

	Unaudited			
	Electronics parts	**Branded OPLV products**	**Construction and industrial products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Sales to external customers	**375,098**	**78,589**	**327,626**	**781,313**
Cost of sales	**(317,177)**	**(72,920)**	**(310,472)**	**(700,569)**
Segment gross profit	**57,921**	**5,669**	**17,154**	**80,744**
Unallocated operating costs				**(179,468)**
Other income				**13,570**
Other gains – net				**9,545**
Finance costs – net				**(18,400)**
Share of results of investments accounted for using the equity method				**(4,036)**
Loss before income tax				**(98,045)**

The segment information for the operating segments for the six months ended June 30, 2016 is as follows:

	Unaudited			
	Electronics parts	Branded OPLV products	Construction and industrial products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales to external customers	356,985	104,637	348,774	810,396
Cost of sales	(276,538)	(103,590)	(326,807)	(706,935)
Segment gross profit	80,447	1,047	21,967	103,461
Unallocated operating costs				(174,877)
Other income				4,212
Other gains – net				19,968
Finance costs – net				(9,824)
Share of results of investments accounted for using the equity method				(3,376)
Loss before income tax				(60,436)

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

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

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

5. Trade and bills receivables

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

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 120 days (2016: Same). The Group does not hold any collateral as security.

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

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

As at June 30, 2017, receivables of HK$84,895,000 were neither past due nor impaired (as at December 31, 2016: HK$328,225,000). These receivables relate to customers for whom there is no recent history of default.

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK$152,803,000 to financial institution or bank in exchange for cash as at June 30, 2017 (as at December 31, 2016: HK$198,390,000). The transactions have been accounted for as collateralized borrowings.

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

6. Due from a related party and due from/to the investments accounted for using the equity method

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

Notes:

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

(b) The related company is controlled by family member of Mr. Pan who was the chairman of the Board until December 15, 2014.

7. Trade payables

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

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

8. Expenses by nature

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

9. Other gains – net

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

10. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the six months ended June 30, 2017.

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

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

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

11. Dividends

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

12. Loss per share

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

	Unaudited Six months ended June 30, 2017	Unaudited Six months ended June 30, 2016
Loss attributable to equity holders of the Company *(HK$'000)*	**(99,105)**	(61,600)
Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)*	**1,199,405**	1,199,405
Basic loss per share *(HK cents)*	**(8.3)**	(5.1)

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

13. Events after the reporting period

(a) Disposal of OPLV entities

On December 28, 2017, the Company (through its wholly-owned subsidiaries) as the vendors, the purchasers, which are companies beneficially owned by Ms Shao, a Director of the Company, and Ms Shao entered into the agreement, pursuant to which the vendors conditionally agreed to sell and the purchasers conditionally agreed to purchase the shares of OPLV (Nanyang) Doors and Windows Systems Co., Ltd and OPLV Architectural Design Pty Ltd. The vendors shall also procure the accounts receivable to be transferred or assigned to the purchasers. The consideration was estimated to be at an aggregate of RMB20 million. Upon completion of the disposal, the Group will cease to have any interest in the above entities and their subsidiaries and its financial results will no longer be consolidated into the Company's consolidated financial statements.

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

(b) Potential disposal of land use rights in Zengcheng

As disclosed in the announcement of the Company dated October 1, 2013, the Company has planned to relocate its current production facilities in Zengcheng in Guangdong Province to Nanyang City in Henan Province.

In late February 2018, the Guangzhou Urban Renewal Bureau announced that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme. Subject to formal documentation converting the usage of land from industrial use to commercial and residential use, the Group's Zengcheng production plant moved out from the existing site and there were further discussion and negotiation with relevant government authorities. The Group considered that it would likely be benefitted from the potential improvement in value of the Zengcheng land.

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

(c) Disposal of Leading Sense Limited

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Business and Financial Overview

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

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

Electronics Parts

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

Construction and Industrial Products

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

Branded OPLV Products

The Group had continued to develop the Branded OPLV Products market in the Mainland China by engaging more distributors for selling Branded OPLV Products. This segment contributed 10.1% of the total Group sales in the Period Under Review which is lower than that in the 2016 period of 12.9% but there was an increase in the gross profit margin from 1% for the 2016 Period to 7.2% for the Period Under Review.

Cost of sales

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

Gross profit

Gross profit declined by 21.9% from HK$103 million for the 2016 Period to HK$81 million for the Period Under Review, there was a decrease in gross profit margin from 12.8% for the 2016 Period to 10.3% for the Period Under Review, due to decrease in gross profit margin of the Electronics Parts segment.

Distribution and selling expenses

Distribution and selling expenses stayed at HK$51 million from the 2016 Period to the Period Under Review. It consists of mainly staff cost, transportation and travelling expenses.

Administrative expenses

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

Other gains – net

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

Finance income

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

Finance costs

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

Income tax expenses

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

Prospects/Future Business Development

To utilize the opportunities arising from global integration and the "Belt and Road" initiative, the Group has steadily expanded its overseas sales network. We have established subsidiaries in different countries like UK and Singapore and continued to expand our footprint in various regions, laying a solid foundation for the Group's future business development.

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

Liquidity and Financial Resources

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

Charges on Asset

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

Capital Structure

As at June 30, 2017 and December 31, 2016, the Company's issued share capital was HK$120,000,000, divided into 1,200,000,000 shares of HK$0.1 each.

Foreign Exchange and Other Risk

The Group continued to receive AUD, USD and RMB from our sales to major customers during the Period Under Review, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

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

Significant Investment, Material Acquisition and Disposal

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

Capital Commitments

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

Contingent Liabilities

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

Employee Information and Remuneration Policies

As at June 30, 2017, the Group employed approximately 3,900 staff (as at December 31, 2016: 4,700). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Period Under Review, the Group incurred staff costs (including Directors' emoluments) of HK$156 million (2016 Period: HK$169 million).

INTERIM DIVIDEND

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

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Shares

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

Code on Corporate Governance

The Current Board, with the best information available, confirmed that the Company had the following deviations from the Code on Corporate Governance Practice ("**CG Code**") set out in Appendix 14 of the Listing Rules.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and CEO should be separated and should not be performed by the same individual.

During the period between April 22, 2015 and November 8, 2017, Ms. Shao Liyu was the chairlady and also the CEO of the Company responsible for overseeing the operations of the Group. As the development of the Group during the period required the active involvement of Ms. Shao Liyu, her in-depth knowledge and experience in the industry and her familiarity with the operations of the Group, the then Board considered that it was appropriate for Ms. Shao Liyu to serve both positions at the time following the resignation of Ms. Ng Bonnie Po Ling and Mr. Liu Hoi Keung as Joint CEO on April 22, 2015. Ms. Shao Liyu, the then chairlady, was appointed as CEO on April 22, 2015. The then Board considered that the non-separation of these two roles would not impair the balance of power as all major decisions were made in consultation with members of the Board. Nevertheless, the Company has continued to review its operation and made arrangement to meet the requirement of code provision A.2.1 to Appendix 14 of the Listing Rules where necessary. On November 9, 2017, the Board appointed Mr. Cosimo Borrelli as the Non-Executive Chairman of the Board and Ms. Shao Liyu resigned as the chairlady of the Board (as announced on November 10, 2017). From then on, the roles of the chairman and CEO are separated.

Furthermore, subsequent to the Period Under Review, and as announced on December 19, 2014, the Company has, upon the recommendation of the then auditor, resolved to appoint the independent professional adviser ("**IPA**") to investigate into matters raised by the auditor ("**Issues**"), including but not limited to, (1) the transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang, the PRC; (2) the discrepancies found on certain of the Group's inventory receipt records in relation to the Group's raw materials procurement; (3) the relationship between the Group and certain Australia customers; and (4) details and supporting documents on certain expenses. The Former Board has established an independent committee, comprising the independent non-executive Directors, to supervise and oversee the investigation of the Issues. As the investigation on the Issues was only concluded in August 2017, the interim results of the Company for the Period Under Review are deferred until the date of this announcement. Accordingly, the Company was not able to timely comply with the financial reporting provisions under rules 13.49(1) and 13.49(6) of the Listing Rules in (i) announcing the annual/interim results for the year ended December 31, 2017; (ii) publishing the related interim and annual report for the aforesaid year; and (iii) complying with the Code Provision C.1.

The Company did not hold its annual general meetings in 2017 while an annual general meeting of the Company and its adjournment have been held on January 10, 2018 and January 24, 2018 to approve the audited consolidated financial statements for the year ended September 30, 2014. The Board will convene an annual general meeting in the near future to approve the audited consolidated financial statements for the year ended September 30, 2015, for the fifteen months ended December 31, 2016 and for the year ended December 31, 2017.

For more details, please refer to the Company's announcements dated January 10, 2018 and January 24, 2018.

Model Code for Securities Transactions by Directors

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

Events after the reporting period

(a) Changes of Directors/CEO subsequent to reporting period up to the date of this interim results announcement are as follows:

- Mr. Cosimo Borrelli (appointed as the non-executive chairman of the Company on November 9, 2017)

- Ms. Shao Liyu (ceased as the chairlady of the Company on November 9, 2017 and re-designated from CEO to Joint CEO on June 22, 2018)

- Mr. Chan Kai Nang (retired as an independent non-executive Director on January 24, 2018)

- Mr. Zhu Hongtao (retired as an executive Director on January 24, 2018)

- Mr. Wong Kwok Wai Eddy (appointed as an executive Director on March 2, 2018)

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

- Mr. Chan Kai Lun Allan (resigned as an executive Director on May 11, 2018)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Save as disclosed above and in Note 13 to the condensed consolidated interim financial information, there is no material subsequent event undertaken by the Company or by the Group after June 30, 2017 and up to the date of this interim results announcement.

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 comprises three members who are the independent non-executive Directors, namely Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung.

The Audit Committee and the management of the Company have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited condensed consolidated interim financial information for the six months ended June 30, 2017, and recommended their adoption to the Board.

The condensed consolidated interim financial information for the six months ended June 30, 2017 has not been audited, but has been reviewed by the audit committee of the Company.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.palum.com). The interim report of the Company for the six months ended June 30, 2017 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

SUSPENSION OF TRADING

Trading in the shares of Company on the 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

Hong Kong, July 3, 2018

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