PanAsialum Holdings Company Limited
榮 陽 實 業 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2078)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Financial Highlights

- Revenue for the year ended December 31, 2018 was approximately HK$1,642 million, compared with approximately HK$1,779 million for the year ended December 31, 2017;
- Gross profit for the year ended December 31, 2018 was approximately HK$153 million, compared with approximately HK$232 million for the year ended December 31, 2017;
- Loss attributable to owners of the Company for the year ended December 31, 2018 was approximately HK$233 million, compared with a loss of approximately HK$156 million for the year ended December 31, 2017; and
- Basic loss per share for the year ended December 31, 2018 of 19.5 HK cents (year ended December 31, 2017: 13.0 HK cents).

The board (the "**Board**") of directors (the "**Directors**") of PanAsialum Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated annual results of the Group for the year ended December 31, 2018 (the "**Year**"), together with the comparative figures as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	**Year ended December 31, 2018** *HK$'000*	Year ended December 31, 2017 *HK$'000*
Revenue	*4*	**1,642,215**	1,778,683
Cost of sales		**(1,489,479)**	(1,546,662)
Gross profit		**152,736**	232,021
Distribution and selling expenses		**(69,815)**	(103,640)
Administrative expenses		**(247,279)**	(255,371)
Other income	*9*	**13,877**	19,597
Other gains – net	*10*	**5,700**	11,584
Operating loss		**(144,781)**	(95,809)
Finance income		**174**	913
Finance costs		**(64,167)**	(46,641)
Finance costs – net		**(63,993)**	(45,728)
Share of results of investments accounted for using the equity method	*12*	**(662)**	(8,936)
Loss before income tax		**(209,436)**	(150,473)
Income tax expense	*11*	**(24,089)**	(7,989)
Loss for the year		**(233,525)**	(158,462)
Loss attributable to:			
– Owners of the Company		**(233,463)**	(156,332)
– Non-controlling interests		**(62)**	(2,130)
		(233,525)	(158,462)
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted *(HK cents per share)*	*14*	**(19.5)**	(13.0)

	Year ended December 31, 2018 *HK$'000*	Year ended December 31, 2017 *HK$'000*
Loss for the year	**(233,525)**	(158,462)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(20,196)**	46,812
Total comprehensive income for the year	**(253,721)**	(111,650)
Attributable to:		
– Owners of the Company	**(253,655)**	(109,567)
– Non-controlling interests	**(66)**	(2,083)
	(253,721)	(111,650)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	December 31, 2018 HK$'000	December 31, 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**958,941**	1,062,722
Land use rights		**278,598**	299,569
Investments accounted for using the equity method	*12*	**–**	4,463
Deposits and lease prepayments		**1,587**	2,445
Prepayments for property, plant and equipment		**80,027**	82,048
		1,319,153	1,451,247
Current assets			
Inventories		**243,523**	368,256
Trade and bills receivables	*5*	**419,977**	491,346
Prepayments, deposits and other receivables		**81,604**	90,589
Due from related companies	*7*	**–**	16,232
Due from the investments accounted for using the equity method	*7*	**–**	21,009
Pledged bank deposits		**3,635**	7,983
Cash and cash equivalents		**22,720**	26,336
		771,459	1,021,751
Total assets		**2,090,612**	2,472,998
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**120,000**	120,000
Reserves		**624,888**	878,543
Equity attributable to owners of the Company		**744,888**	998,543
Non-controlling interests		**–**	66
Total equity		**744,888**	998,609

	Notes	**December 31, 2018** *HK$'000*	December 31, 2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Obligations under finance leases – non-current portion		**–**	136
Borrowings		**70,509**	17,980
		70,509	18,116
Current liabilities			
Trade payables	*6*	**98,375**	106,081
Contract liabilities, other payables and accrued charges		**236,511**	361,229
Due to the investments accounted for using the equity method	*7*	**–**	1,703
Due to a related company	*7*	**–**	14,084
Due to a director	*7*	**6,645**	–
Borrowings		**816,965**	856,789
Obligations under finance leases – current portion		**136**	3,504
Deferred income on government grants		**18,469**	19,814
Current income tax liabilities		**98,114**	93,069
		1,275,215	1,456,273
Total liabilities		**1,345,724**	1,474,389
Total equity and liabilities		**2,090,612**	2,472,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

The directors of the Company (the "**Directors**") have given careful consideration to the going concern status of the Group in light of the fact that (i) the Group incurred a loss attributable to owners of the Company of approximately HK$233 million for the year ended December 31, 2018, (ii) the Group's current liabilities exceeded its current assets by approximately HK$504 million as at December 31, 2018 and (iii) the Group had cash and cash equivalents of approximately HK$23 million against the Group's total borrowings (comprising borrowings and obligations under finance leases) amounted to approximately HK$817 million, which will be due within twelve months after December 31, 2018. The Directors have evaluated the Group's current undrawn facilities and renewable borrowings and are confident that the Group is able to meet its financial obligations when they become due and payable. In order to improve liquidity, the management has been closely monitoring and managing the Group's cash position and conducts on-going negotiations with financial institutions to ensure that the existing facilities will be successfully renewed and additional facilities are obtained when necessary to meet the Group's working capital requirements.

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

(i) as at December 31, 2018, the Group has undrawn facilities of HK$427 million of which facilities of HK$289 million have maturity in March 2021;

(ii) the Group has been proactively negotiating with the financial institutions in the PRC to seek for renewing the existing facilities and obtaining new facilities. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records and relationship with the relevant financial institutions which enhance the Group's ability to renew the existing interest-bearing borrowings upon expiry. Subsequent to December 31, 2018, its current borrowings as at December 31, 2018 in the amount of not less than HK$211 million have been successfully renewed to a repayment date after December 31, 2019. Subsequent to December 31, 2018, the Group has obtained the new facilities amounted to HK$456 million with maturity in January 2024; and

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

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

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from January 1, 2018 has resulted in changes in accounting policies of the Group and the amounts recognized in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The adoption of HKFRS 9 has no significant impact on the classification and measurement of the Group's financial assets and financial liabilities. The carrying amounts for all financial assets and financial liabilities as at January 1, 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognize ECL for trade receivables and financial assets at amortized costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current financial year.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") and amendments to HKFRS 15

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Directors consider that the application of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognized for contracts with customers in the manufacturing and trading of aluminium products in the respective reporting periods upon its initial adoption because the Directors are of the view that the Group's inputs are expected to be proportionate, in material aspect, to the progress in satisfying the performance obligation in rendering the services with reference to the Group's typical contracts.

Based on the assessment of the Group, no adjustments to the opening balance of reserves as at January 1, 2018 have been made on the initial application of HKFRS 15; and HKFRS 15 did not result in significant impact on the Group's accounting policies.

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

Under HKFRS 15, a contract liability is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognizes the related revenue. As a result, "Deposits received" which were previously included in other payables, amounting to HK$10,782,000 and HK$36,859,000 as at December 31, 2018 and January 1, 2018 respectively, are now included under contract liabilities to reflect the terminology of HKFRS 15.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration
The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this interpretation has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

The following new and amendments to standards, interpretations and improvements have been issued, but are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Group:

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after January 1, 2019
2 The amendments were originally intended to be effective for periods beginning on or after January 1, 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total future minimum lease payments under non-cancellable operating leases of the Group as at December 31, 2018 amounted to approximately HK$32,355,000. The Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s financial performance but it is expected that the Group has to separately recognize the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group’s operating leases will be required to be recognized in the Group’s consolidated statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortized cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures
The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognized when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognized in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

The description of each reportable product segment is as follows:

Reportable product segment	**Type of products**
Revenue from contracts with customer within scope of HKFRS 15:	
Electronics parts	Aluminium parts for consumer electronics products, examples include heat sinks and chassis for computers
Construction and industrial products	Products sold for construction and industrial use, examples include window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods
Branded OPLV products	Door and window frames systems marketed under "**OPLV**" brand and sold through distributors

The segment information for the operating segments for the year ended December 31, 2018 is as follows:

	Electronics parts *HK$'000*	**Construction and industrial products** *HK$'000*	**Branded OPLV products** *HK$'000*	**Total** *HK$'000*
Sales to external customers	**717,516**	**788,828**	**135,871**	**1,642,215**
Cost of sales	**(602,449)**	**(762,150)**	**(124,880)**	**(1,489,479)**
Segment gross profit	**115,067**	**26,678**	**10,991**	**152,736**
Unallocated operating costs				**(317,094)**
Other income				**13,877**
Other gains – net				**5,700**
Finance costs – net				**(63,993)**
Share of results of investments accounted for using the equity method				**(662)**
Loss before income tax				**(209,436)**

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

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

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

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Disaggregation of revenue from contracts with customers Year ended December 31, 2018			
	Electronic parts	**Construction and industrial products**	**Banded OPLV products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets				
The PRC	**717,516**	**262,206**	**135,871**	**1,115,593**
Australia	**–**	**301,286**	**–**	**301,286**
North America	**–**	**53,100**	**–**	**53,100**
Hong Kong	**–**	**75,177**	**–**	**75,177**
Others	**–**	**97,059**	**–**	**97,059**
Total	**717,516**	**788,828**	**135,871**	**1,642,215**
Major products/Services				
Sales of goods	**712,490**	**788,828**	**135,871**	**1,637,189**
Processing fees	**5,026**	**–**	**–**	**5,026**
	717,516	**788,828**	**135,871**	**1,642,215**
Timing of revenue recognition				
At a point in time	**712,490**	**788,828**	**135,871**	**1,637,189**
Transferred over time	**5,026**	**–**	**–**	**5,026**
	717,516	**788,828**	**135,871**	**1,642,215**

	Disaggregation of revenue from contracts with customers Year ended December 31, 2017			
	Electronic parts	Construction and industrial products	Banded OPLV products	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets				
The PRC	902,899	255,514	178,356	1,336,769
Australia	–	286,647	–	286,647
North America	–	31,060	–	31,060
Hong Kong	–	96,668	–	96,668
Others	–	27,539	–	27,539
Total	902,899	697,428	178,356	1,778,683
Major products/Services				
Sales of goods	878,582	697,428	178,356	1,754,366
Processing fees	24,317	–	–	24,317
	902,899	697,428	178,356	1,778,683
Timing of revenue recognition				
At a point in time	878,582	697,428	178,356	1,754,366
Transferred over time	24,317	–	–	24,317
	902,899	697,428	178,356	1,778,683

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 December 31, 2017 and 2018 consists of the following:

	Year ended December 31, 2018					
	The PRC	**Australia**	**North America**	**Hong Kong**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Sales to external customers	**1,115,593**	**301,286**	**53,100**	**75,177**	**97,059**	**1,642,215**
Cost of sales	**(1,014,665)**	**(267,253)**	**(40,069)**	**(66,210)**	**(101,282)**	**(1,489,479)**
Gross profit	**100,928**	**34,033**	**13,031**	**8,967**	**(4,223)**	**152,736**

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

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

	Year ended December 31, 2018	Year ended December 31, 2017
	HK$'000	*HK$'000*
PRC Customer A	**476,208**	688,829

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

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
The PRC	**1,299,305**	1,426,101
Hong Kong	**4,637**	4,647
Other countries	**15,211**	16,036
	1,319,153	1,446,784

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

5. TRADE AND BILLS RECEIVABLES

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
Trade receivables	**425,988**	498,136
Less: other impairment loss recognized	**(6,011)**	(7,384)
Trade receivables – net	**419,977**	490,752
Bills receivables	**–**	594
Trade and bills receivables – net	**419,977**	491,346

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 90 days (December 31, 2017: 30 to 120 days). The Group does not hold any collateral as security.

As at December 31, 2018, the ageing analysis of the trade and bills receivables based on due date was as follows:

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
Current	**308,551**	320,101
1 – 30 days	**61,929**	72,662
31 – 60 days	**25,617**	23,609
61 – 90 days	**7,972**	18,217
91 – 180 days	**6,421**	35,555
181 days – 1 year	**3,214**	3,714
More than 1 year	**6,273**	17,488
	419,977	491,346

6. TRADE PAYABLES

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
Trade and bills payables	**98,375**	106,081

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

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
0 – 30 days	**37,711**	44,212
31 – 60 days	**40,211**	20,387
61 – 90 days	**5,675**	10,285
Over 90 days	**14,778**	31,197
	98,375	106,081

7. DUE FROM/TO RELATED COMPANIES, DUE FROM/TO THE INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND DUE TO A DIRECTOR

(i) Due from related companies:

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

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

(ii) Due to a related company:

The amount due was unsecured, interest-free and repayable within one year after the end of the reporting period. The carrying amount approximated its fair value. The related company was controlled by the then executive director of the Company.

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

The amounts due were unsecured, interest-free and repayable on demand. The carrying amounts approximated the fair value.

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

The amounts due were unsecured, interest-free and repayable on demand. The carrying amounts approximated their fair values.

(v) Due to a director

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

8. EXPENSES BY NATURE

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

	Year ended December 31, 2018	Year ended December 31, 2017
	HK$'000	*HK$'000*
Auditor's remuneration – current year	**4,700**	4,700
Operating leases – land and buildings	**17,880**	16,552
Cost of inventories recognized as expenses	**1,489,479**	1,546,662
Loss on disposal of property, plant and equipment	**3,109**	118
Loss on disposal of investments accounted for using the equity method	**2,683**	6,978
Employee benefit expenses	**305,645**	405,632
Depreciation:		
– Owned property, plant and equipment	**95,018**	97,457
– Leased property, plant and equipment	**2,306**	2,280
Amortization of land use rights	**6,412**	6,254
Impairment provision of investments accounted for using the equity method *(Note 12)*	**–**	2,780
Write off of inventories	**4,117**	3,177
Write off of trade receivables, net	**2,967**	–
Legal and professional fees	**17,763**	16,262

9. OTHER INCOME

	Year ended December 31, 2018	Year ended December 31, 2017
	HK$'000	*HK$'000*
Government grants[(i)]	**3,801**	5,883
Forfeiture of customer deposits	**338**	1
Insurance claims	**450**	1,468
Scrap sales, net	**7,762**	10,851
Others	**1,526**	1,394
	13,877	19,597

(i) For the year ended December 31, 2018, government grants include HK$3,430,000 (year ended December 31, 2017: HK$5,486,000) received from several PRC government authorities for the technical renovation of the Group's equipment. There were no conditions to be fulfilled or contingencies related to these grants. The remaining amounts were transferred from deferred income to consolidated statement of comprehensive income during the respective year.

10. OTHER GAINS – NET

	Year ended December 31, 2018	Year ended December 31, 2017
	HK$'000	*HK$'000*
Net exchange (losses)/gains	**(27,754)**	11,163
Gain on disposal of subsidiaries	**33,454**	421
	5,700	11,584

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the year ended December 31, 2018 (year ended December 31, 2017: Same).

The Group's operations in the PRC are subject to the PRC corporate income tax. No PRC corporate income tax has been provided as the Group has no estimated assessable profit for the year ended December 31, 2018 (year ended December 31, 2017: Same). The standard PRC corporate income tax rate was 25% for the year ended December 31, 2018 (year ended December 31, 2017: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore Limited) is exempted from Macao Complementary Tax during the year ended December 31, 2018 (year ended December 31, 2017: Same).

	Year ended December 31, 2018	Year ended December 31, 2017
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year	**–**	1,863
– under-provisions in respect of prior years	**20,271**	–
Overseas taxation		
– current year	**3,818**	6,126
	24,089	7,989

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
Investments in the joint ventures	**–**	4,463
	–	4,463

	December 31, 2018	December 31, 2017
	HK$'000	*HK$'000*
At beginning of year	**4,463**	16,107
Investment costs	**–**	2,833
Disposal	**(3,552)**	(3,376)
Share of results of investments accounted for using the equity method	**(662)**	(8,936)
Impairment provision *(Note 8)*	**–**	(2,780)
Exchange differences	**(249)**	615
At end of year	**–**	4,463

13. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2018 (year ended December 31, 2017: Nil).

14. LOSS PER SHARE

(a) Basic

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

	Year ended December 31, 2018	Year ended December 31, 2017
Loss attributable to equity holders of the Company *(HK$'000)*	**(233,463)**	(156,332)
Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)*	**1,199,405**	1,199,405

(b) Diluted

Diluted loss per share is of the same amount as the basic loss per share as there were no potential dilutive ordinary shares outstanding as at December 31, 2018 (December 31, 2017: same).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

BDO Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended December 31, 2018.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(1) Prepayments to a supplier

As set out in Note 2.1.2(A) to the consolidated financial statements, the Group derecognized a prepayment asset when it recovered the amount during the year ended December 31, 2017. The derecognition did not give rise to material gain or loss. However in our audit of the Group's consolidated financial statements for the fifteen months ended December 31, 2016, we were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of the prepayment asset and the related impairment loss as at December 31, 2016. Due to such audit scope limitation, our audit opinion on the Group's consolidated financial statements for the year ended December 31, 2017 ("**2017 consolidated financial statements**") was modified as the prepayment asset's carrying amount after impairment loss as at December 31, 2016 may have consequential impact on the result of the derecognition of the prepayment asset in 2017. Our audit opinion on the Group's financial performance for the year ended December 31, 2017 was modified accordingly. Our audit opinion on the consolidated financial statements for the year ended December 31, 2018 is also modified because of the possible effect of our audit scope limitation on 2017 consolidated financial statements on the comparability of the related 2018 figures and the 2017 figures in the consolidated statement of comprehensive income.

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

As set out in Note 2.1.2(B) to the consolidated financial statements, an investigation performed by an independent professional advisor was completed in August 2017 (the "**Investigation**"). The Investigation and other documents revealed possible connection between the Group and its certain customers (Australia Customer A, Australia Customer B and Customer C as detailed in Note 2.1.2(B) to the consolidated financial statements).

Included in the Group's 2017 consolidated financial statements were trade receivables due from Australia Customer A, Australia Customer B and Customer C and their corresponding impairment losses recognized by the Company's management. In respect of Australia Customer A and Australia Customer B, our audit opinion was modified as we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves whether no write-down of the trade receivables due from them recognized for the year ended December 31, 2017 was appropriate. This audit scope limitation was because our audit opinion on trade receivables due from Australia Customer A and Australia Customer B as at December 31, 2016 was also modified for audit scope limitation. Our audit opinion on the consolidated financial statements for the year ended December 31, 2018 is also modified because of the possible effect of our audit scope limitation in 2017 consolidated financial statements on the comparability of the related 2018 figures and the 2017 figures in the consolidated statement of comprehensive income.

In respect of Customer C, in our audit of the 2017 consolidated financial statements we were unable to obtain satisfactory confirmation reply to confirm the trade receivables balance due from Customer C. This receivable was fully impaired in prior years. Management was not able to provide us with satisfactory explanations and adequate information to support the impairment assessment of the outstanding trade receivables due from Customer C as at December 31, 2017. As a result, we were unable to satisfy ourselves whether the carrying amount of trade receivables due from Customer C of HK$Nil as at December 31, 2017 was fairly stated, and impairment loss thereon was recognized in the appropriate financial years. During the current year, management has taken into account the new developments in 2018 as set out in Note 2.1.2(B) to the consolidated financial statements in their impairment assessment of trade receivables due from Customer C and they concluded that they had no reasonable expectations of recovering the trade receivables due from Customer C and therefore the trade receivables were derecognized as at December 31, 2018. However as our audit scope limitations in our audit of the 2017 consolidated financial statements remained unresolved, we are not able to satisfy ourselves whether no write-down on trade receivables due from Customer C recognized during the current year was appropriate. Our audit opinion on the consolidated financial statements for the year ended December 31, 2018 is also modified because of the possible effect of our modified opinion on 2017 consolidated financial statements on the comparability of the related 2018 figures and the 2017 figures in the consolidated financial statements for the year ended December 31, 2018.

In our audit of 2017 consolidated financial statements, management was not able to provide us with sufficient information and explanations about the relationship between the Group, Australia Customer A, Australia Customer B and Customer C. As a result, we were unable to satisfy ourselves whether the Group had any related party relationships with them and thus the accuracy and completeness of the disclosures of related party balances and transactions in the Group's consolidated financial statements for the year ended December 31, 2017. This audit scope limitation remains unresolved in the current year audit and our opinion on the accuracy and completeness of related party disclosures in 2018 consolidated financial statements is also modified.

(3) Investment in and advances to an associated company

As set out in Note 2.1.2(C) to the consolidated financial statements, as at December 31, 2017, the Group had an 45% equity interest in Leading Sense Limited ("**Leading Sense**"), which was accounted for as an associated company of the Group with carrying value of HK$Nil, and recorded an advance with carrying value of HK$Nil (after impairment loss) to Leading Sense and its subsidiaries (the "**Leading Sense Group**"). These balances of HK$Nil were brought forward from prior years.

In respect of the advance due from the Leading Sense Group, in our audit of the 2017 consolidated financial statements we were unable to obtain satisfactory confirmation reply to confirm the advance due from the Leading Sense Group. This advance was fully impaired in prior years. Management was not able to provide us with satisfactory explanations and adequate information to support the impairment assessment of the outstanding advance due from the Leading Sense Group as at December 31, 2017. As a result, we were unable to satisfy ourselves whether the carrying amount of advance due from the Leading Sense Group of HK$Nil as at December 31, 2017 was fairly stated, and no impairment loss thereon was recognized in the year ended December 31, 2017 was appropriate. During the current year, management has taken into account the new developments in 2018 as set out in Note 2.1.2(C) to the consolidated financial statements in their impairment assessment of advance due from the Leading Sense Group and they concluded that they had no reasonable expectations of recovering the advance and therefore the advance was derecognized as at December 31, 2018. However as our audit scope limitations in our audit of the 2017 consolidated financial statements remained unresolved, we are not able to satisfy ourselves whether no write-down on advance due from the Leading Sense Group recognized during the current year was appropriate. Our audit opinion on the consolidated financial statements for the year ended December 31, 2018 is also modified because of the possible effect of our modified opinion on 2017 consolidated financial statements on the comparability of the related 2018 figures and the 2017 figures in the consolidated financial statements for the year ended December 31, 2018.

During the year ended December 31, 2018, the Group disposed of its entire equity interest in Leading Sense and recorded disposal gain of US$1 (equivalent to HK$8).

Management was not able to obtain the financial information of the Leading Sense Group, nor were they able to contact the other shareholders or management of the Leading Sense Group since January 2015 and therefore we are not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the Group's share of results of an associated company of HK$Nil and the gain on disposal of an associated company of HK$8 were fairly stated in the Group's consolidated financial statements for the year ended December 31, 2018.

Due to inability to obtain sufficient appropriate audit evidence regarding the Group's investment in Leading Sense as at December 31, 2017 and the Group's share of its results for the year then ended, audit opinion on the 2017 consolidated financial statements was modified. Any adjustments to the related investment in the Leading Sense Group as at December 31, 2017 would have a consequential impact on the Group's net assets as at December 31, 2017 and accordingly the Group's financial performance for the current year.

Audit opinion on the 2017 consolidated financial statements regarding whether the investment in an associated company of HK$Nil and the share of its results of HK$Nil were fairly stated in the Group's 2017 consolidated financial statements was modified on the same basis as mentioned above. Our opinion on the current year consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the related 2018 figures and the 2017 figures in the consolidated financial statements for the year ended December 31, 2018.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Business and Financial Overview

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

The total operating revenue of the Group for the year ended December 31, 2018 ("**Year**") was HK$1,642 million (year ended December 31, 2017: HK$1,779 million), representing a decrease of 8% as compared with the year ended December 31, 2017. The Group's overall gross profit margin dropped from 13% for the year ended December 31, 2017 to 9%. Net loss after tax attributable to shareholders had significantly increased from HK$156 million for the year ended December 31, 2017 to HK$233 million. It was mainly due to (i) the unexpected depreciation of the Australian dollar against the Hong Kong dollar during the year, affecting the performance of the Group's export sales to the Australian market; (ii) a decrease in sales of high margin electronic parts; and (iii) the cost of the Company's recent resumption of trading in 2018.

Comparing the Year with the year ended December 31, 2017, revenue from the Construction and Industrial Products segment has increased by 13% but Electronics Parts segment has decreased by 21%.

Revenue contributions by the respective segments for the year ended December 31, 2017 and 2018 are presented below:

	Revenue for the		The percentage of total revenue for the	
	Year ended December 31, 2018	Year ended December 31, 2017	**Year ended December 31, 2018**	Year ended December 31, 2017
	(HK$ million)	*(HK$ million)*		
Business Segment				
– Electronics Parts	**717**	903	**43.7%**	50.8%
– Construction and Industrial Products	**789**	698	**48.0%**	39.2%
– Branded OPLV Products	**136**	178	**8.3%**	10.0%
Total	**1,642**	1,779	**100.0%**	100.0%
Geographical Segment				
– The PRC	**1,116**	1,337	**68.0%**	75.2%
– Australia	**301**	287	**18.3%**	16.1%
– North America	**53**	31	**3.2%**	1.7%
– Hong Kong	**75**	97	**4.6%**	5.5%
– Others	**97**	27	**5.9%**	1.5%
Total	**1,642**	1,779	**100.0%**	100.0%

Electronics Parts

The Electronics Parts segment contributed approximately HK$717 million to the total revenue of the Group, representing a decrease of 21% as compared with HK$903 million for the year ended December 31, 2017. Gross profit margin decreased to 16% for the Year as compared with 19% for year ended December 31, 2017.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK$789 million (year ended December 31, 2017: HK$698 million) and 3% (year ended December 31, 2017: 7%) respectively for the Year. There was a 5% increase in sales in Australia and 45% in other regions (exclude the PRC).

Branded OPLV Products

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

On December 7, 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in OPLV (Nanyang) Doors and Windows Systems Co., Ltd. ("**OPNY**"). Details of the disposal of the Branded OPLV products segment are set out under the paragraph headed "Significant Investment, Material Acquisition and Disposal" of this announcement.

Cost of sales

With the decline in sales, cost of sales decreased by 4% from HK$1,547 million for the year ended December 31, 2017 to HK$1,489 million for the Year. This was in line with the decrease in sales from HK$1,779 million for the year ended December 31, 2017 to HK$1,642 million for the Year.

Gross profit

Despite the decrease of gross profit from HK$232 million for the year ended December 31, 2017 to HK$153 million for the Year, our gross profit margin has dropped from 13% for the year ended December 31, 2017 to 9% for the Year. The Group has been actively seeking ways to reduce sales of lower gross profit margin products to achieve a higher overall gross profit margin for this fiscal year. Yet, the persisting unfavorable macro factors, including the volatility in each of the market the Group operates and the uncertainty over the economic condition in China, had dampened consumer sentiment and reduced the demand of the Group's products.

Distribution and selling expenses

Distribution and selling expenses decreased by 33% from HK$104 million for the year ended December 31, 2017 to HK$70 million for the Year. The decrease was in line with the decline in sales, which led to a significant decrease in staff related costs and advertising expenses.

Administrative expenses

Administrative expenses dropped by 3% from HK$255 million for the year ended December 31, 2017 to HK$247 million for the Year. The decrease was due to cost control on entertainment and staff related expenses.

Other income

Other income comprised net sales of scrapped materials which was HK$8 million for the Year.

Other gains – net

Other gains changed from HK$12 million for the year ended December 31, 2017 to HK$6 million for the Year. The change was mainly due to the depreciation of Australian Dollar ("**AUD**") against Hong Kong Dollar ("**HKD**") during the Year which the Group had suffered significant exchange losses.

Finance income

Finance income mainly comprised interest income which amounted to approximately HK$0.2 million for the Year compared to HK$1 million for the year ended December 31, 2017.

Finance costs

Finance costs amounted to approximately HK$64 million for Year compared to HK$47 million for the year ended December 31, 2017.

Income tax expense

Our income tax changed from income tax expense of HK$8 million for the year ended December 31, 2017 to HK$24 million for the Year.

Currency translation differences in other comprehensive income

Currency translation differences amounted to approximately HK$20 million for the Year, which was mainly attributable to the currency translation differences of Renminbi ("**RMB**") against the HKD.

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 and continued to expand our footprint in various regions, laying a solid foundation for the Group's future business development.

Although sales of Electronics Parts for the Year declined, customers in this segment are expected to bring in a higher profit margin to the Group than other segments. The Group will continue to develop opportunities in the Electronics Parts business by widening its customer base, developing new products and further strengthening relationship with major customers. Ongoing efforts to develop new products based on market demand are progressing, and our R&D department is striving to achieve these goals.

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

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

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

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

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

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 further discussion and negotiation with relevant government authorities or potential investors, the Group considered that it would likely be further benefitted from the potential improvement in value of the Zengcheng land.

On December 7, 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in OPNY. Details of the disposal of the Branded OPLV Products segment are set out under the paragraph headed "Significant Investment, Material Acquisition and Disposal" in this announcement.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings. As at December 31, 2018, the Group had HK$22.7 million cash and cash equivalents (December 31, 2017: HK$26.3 million), HK$3.6 million pledged bank deposits (December 31, 2017: HK$8.0 million), interest-bearing borrowings of HK$887.5 million denominated in RMB (December 31, 2017: HK$874.8 million denominated in RMB) and obligation under finance leases of HK$0.1 million denominated in HKD (December 31, 2017: HK$3.6 million denominated in RMB and HKD).

Charges on Asset

HK$269.5 million (December 31, 2017: HK$289.6 million) of land use rights, HK$25.1 million (December 31, 2017: HK$29.1 million) of buildings, HK$127.3 million (December 31, 2017: HK$86.1 million) of plant and machinery and HK$112.0 million (December 31, 2017: HK$199.8 million) of trade receivables of the Group were pledged as security for the Group's borrowings.

Summary of key financial ratios

	Year ended December 31, 2018	Year ended December 31, 2017
Gross Profit Margin (1)	**9.3%**	13.0%
Return on Equity (2)	**(31.3%)**	(15.7%)
Interest Coverage Ratio (3)	**(2.27)**	(2.25)

	As at December 31, 2018	As at December 31, 2017
Current Ratio (4)	**0.60**	0.70
Quick Ratio (5)	**0.41**	0.45
Gearing Ratio (6)	**119.2%**	88.0%
Debt to Equity Ratio (7)	**116.1%**	85.3%

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

(2) The calculation of Return on Equity is based on profit attributable to owners of the Company divided by equity attributable to owners of the Company and multiplied by 100%.

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

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

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

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

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

Capital Structure

As at December 31, 2018 and December 31, 2017, 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, United States Dollar and RMB from our sales to major customers during the Year, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

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

Significant Investment, Material Acquisition and Disposal

On December 7, 2018, the Group entered into a sales and purchase agreement to dispose of its entire equity interest in OPNY to an independent third party with a cash consideration of RMB 5 million. The profit from the sale are approximately HK$33 million.

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

Details of the above transactions are set out in the announcements of the Company dated December 28, 2017, January 19, 2018, March 29, 2018, May 14, 2018, August 24, 2018 and December 7, 2018.

Save as disclosed above, the Group did not have any significant investment, material acquisition and disposal during the year ended December 31, 2018.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2018 amounted to approximately HK$279 million (December 31, 2017: approximately HK$311 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

As at December 31, 2018, the Group had no contingent liabilities (December 31, 2017: Nil).

Employee Information and Remuneration Policies

As at December 31, 2018, the Group employed approximately 2,900 staff (December 31, 2017: 3,800). 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, the Group incurred staff costs (including Directors' emoluments) of HK$306 million (year ended December 31, 2017: HK$406 million).

OTHER INFORMATION

Directors' Securities Transaction

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

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. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Year.

Corporate Governance Practices

The 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Exchange**") ("**Listing Rules**").

Under the Rules 3.10(1) of the Listing Rules, it provides that every board of directors of a listed issuer must include at least three independent non-executive directors. Under Rules 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members. Subsequent to the retirement of Mr. Chan Kai Nang on January 24, 2018 as an independent non-executive Director, the number of independent non-executive Directors and audit committee members had fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. On March 22, 2018, the Company appointed Dr. Cheung Wah Keung as an independent non-executive Director and a member of the audit committee of the Company. Hence, the requirements under Rules 3.10(1) and 3.21 of the Listing Rules were fulfilled since then.

Review of Accounts

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

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the audited consolidated financial statements for the Year and has recommended their adoption to the Board.

Publication of Annual Report

This annual results announcement is published on the websites of the Exchange (http://www.hkex.com.hk) and the Company (http://www.palum.com). The annual report of the Company for the year ended December 31, 2018 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.

By order of the Board
PanAsialum Holdings Company Limited
Huang Gang
Chairman

Hong Kong, March 28, 2019

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