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, 2019

Financial Highlights

- Revenue for the year ended December 31, 2019 was approximately HK$1,717 million, compared with approximately HK$1,642 million for the year ended December 31, 2018;

- Gross profit for the year ended December 31, 2019 was approximately HK$3 million, compared with approximately HK$153 million for the year ended December 31, 2018;

- Loss attributable to owners of the Company for the year ended December 31, 2019 was approximately HK$496 million, compared with a loss of approximately HK$233 million for the year ended December 31, 2018; and

- Basic loss per share for the year ended December 31, 2019 of 41.3 HK cents (year ended December 31, 2018: 19.5 HK cents).

ANNUAL RESULTS

Reference is made to the announcement of PanAsialum Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 March 2020 in relation to the unaudited financial results of the Group for the year ended December 31, 2019 (the "**Year**") (the "**Unaudited Results Announcement**"). The Company's auditor, BDO Limited, has completed its audit of the consolidated financial statements of the Company for the Year. Save the amendment to "Charges on Asset" in the section headed "Management Discussion and Analysis", the audited results are consistent with the unaudited results contained in the Unaudited Results Announcement which are set out as below.

The board (the "**Board**") of directors (the "**Directors**") of the Company announces the audited consolidated annual results of the Group for the Year, together with the comparative figures as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	**Year ended December 31, 2019**	Year ended December 31, 2018
		HK$'000	*HK$'000*
Revenue	*4*	**1,717,428**	1,642,215
Cost of sales		**(1,714,695)**	(1,489,479)
Gross profit		**2,733**	152,736
Distribution and selling expenses		**(79,472)**	(69,815)
Administrative expenses		**(315,694)**	(247,279)
Other income	*9*	**12,699**	13,877
Other gains – net	*10*	**1,462**	5,700
Operating loss		**(378,272)**	(144,781)
Finance income		**1,139**	174
Finance costs		**(112,526)**	(64,167)
Finance costs – net		**(111,387)**	(63,993)
Share of results of investments accounted for using the equity method	*12*	**–**	(662)
Loss before income tax		**(489,659)**	(209,436)
Income tax expense	*11*	**(5,935)**	(24,089)

	Note	**Year ended December 31, 2019** *HK$'000*	Year ended December 31, 2018 *HK$'000*
Loss for the year		**(495,594)**	(233,525)
Loss attributable to:			
– Owners of the Company		**(495,594)**	(233,463)
– Non-controlling interests		**–**	(62)
		(495,594)	(233,525)
Loss per share for loss attributable to owners of the Company			
Basic and diluted (HK cents per share)	*14*	**(41.3)**	(19.5)
Loss for the year		**(495,594)**	(233,525)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(10,722)**	(20,196)
Total comprehensive income for the year		**(506,316)**	(253,721)
Attributable to:			
– Owners of the Company		**(506,316)**	(253,655)
– Non-controlling interests		**–**	(66)
		(506,316)	(253,721)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Note	**December 31, 2019** *HK$'000*	December 31, 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,009,088**	958,941
Right-of-use assets		**290,989**	–
Land use rights		**–**	278,598
Investment property		**11,496**	–
Deposits and lease prepayments		**609**	1,587
Prepayments for property, plant and equipment		**59,570**	80,027
		1,371,752	1,319,153
Current assets			
Inventories		**222,146**	243,523
Trade and bills receivables	5	**383,891**	419,977
Prepayments, deposits and other receivables		**118,304**	81,604
Pledged bank deposits		**47,950**	3,635
Cash and cash equivalents		**15,923**	22,720
		788,214	771,459
Total assets		**2,159,966**	2,090,612
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**120,000**	120,000
Reserves		**123,242**	624,888
Total equity attributable to owners of the Company		**243,242**	744,888

	Notes	**December 31, 2019** *HK$'000*	December 31, 2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**14,217**	–
Borrowings		**622,706**	70,509
		636,923	70,509
Current liabilities			
Trade payables	*6*	**76,713**	98,375
Contract liabilities, other payables and accrued charges		**184,597**	236,511
Due to a director	*7*	**645**	6,645
Borrowings		**911,203**	816,965
Obligations under finance leases		**–**	136
Lease liabilities		**13,864**	–
Deferred income on government grants		**17,791**	18,469
Current income tax liabilities		**74,988**	98,114
		1,279,801	1,275,215
Total liabilities		**1,916,724**	1,345,724
Total equity and liabilities		**2,159,966**	2,090,612

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, except for investment property which is measured at fair value.

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$496 million for the year ended December 31, 2019, (ii) the Group's current liabilities exceeded its current assets by approximately HK$492 million as at December 31, 2019 and (iii) the Group had cash and cash equivalents of approximately HK$16 million against the Group's borrowings amounted to approximately HK$911 million, which will be due within twelve months after December 31, 2019. 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, 2019, included in the Group's borrowings are revolving borrowings amounted to HK$375 million, for which the Group can continue to utilize these amounts on the maturity dates which are after December 31, 2020;

(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, 2019 and up to the date of this announcement, its current non-revolving borrowings as at December 31, 2019 in the amount of not less than HK$162 million and HK$185 million have been successfully renewed to a repayment date after December 31, 2020 and until the compensation received from the proposed disposal of Zengcheng land where the Group's Zengcheng factory situated respectively; and

(iii) as at December 31, 2019, the Group has undrawn facilities of HK$253 million.

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

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

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

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from January 1, 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16- Leases

Impact of the adoption of HKFRS 16
HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognized in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iii) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognized all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows:

Consolidated statement of financial position as at	December 31, 2018	Initial application of HKFRS 16	January 1, 2019
	HK$'000	*HK$'000*	*HK$'000*
Right-of-use assets	–	308,287	308,287
Land use rights	278,598	(278,598)	–
Motor vehicles presented in property, plant and equipment	333	(333)	–
Lease liabilities (current)	–	(12,504)	(12,504)
Lease liabilities (non-current)	–	(16,988)	(16,988)
Obligations under finance leases	(136)	136	–

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognized in the consolidated statement of financial position as at January 1, 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of December 31, 2018	32,355
Less: future interest expenses	(2,999)
Add: finance lease liabilities as of December 31, 2018	136
Total lease liabilities as of January 1, 2019	29,492

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position as at January 1, 2019 is 7.24%.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognize the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognized in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalized in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognized a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognized at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgment and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iii) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognized all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (January 1, 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognized the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The Group has elected to recognize all the right-of-use assets at January 1, 2019 for leases previously classified operating leases under HKAS 17 as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied "HKAS 36 Impairment of Assets" at January 1, 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognize right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased certain of its motor vehicle which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at January 1, 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from January 1, 2019.

(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, 2019 and have not been early adopted by the Group:

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2020

2 Effective for annual periods beginning on or after January 1, 2021

3 The amendments were originally intended to be effective for periods beginning on or after January 1, 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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, construction and industrial products and door and window frames systems which are operating in five geographical areas, namely The PRC (excluding Hong Kong), Australia, North America, Hong Kong and others.

The description of each reportable product segment is as follows:

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
Door and Window Frames Systems	Products sold for door and window frames systems

The segment information for the operating segments for the year ended December 31, 2019 is as follows:

	Electronics parts	**Construction and industrial products**	**Door and Window Frames Systems**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales to external customers	**408,473**	**1,218,019**	**90,936**	**1,717,428**
Cost of sales	**(363,936)**	**(1,240,967)**	**(109,792)**	**(1,714,695)**
Segment gross profit/(loss)	**44,537**	**(22,948)**	**(18,856)**	**2,733**
Unallocated operating costs				**(395,166)**
Other income				**12,699**
Other gains – net				**1,462**
Finance costs – net				**(111,387)**
Loss before income tax				**(489,659)**

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, 2018 is as follows:

	Electronics parts *HK$'000*	Construction and industrial products *HK$'000*	Door and Window Frames Systems *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)

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, 2019			
	Electronic parts	**Construction and industrial products**	**Door and Window Frames Systems**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets				
The PRC	**408,473**	**717,207**	**90,936**	**1,216,616**
Australia	**–**	**236,544**	**–**	**236,544**
North America	**–**	**50,619**	**–**	**50,619**
Hong Kong	**–**	**71,173**	**–**	**71,173**
Others	**–**	**142,476**	**–**	**142,476**
Total	**408,473**	**1,218,019**	**90,936**	**1,717,428**
Major products/Services				
Sales of goods	**407,362**	**1,218,019**	**90,936**	**1,716,317**
Processing fees	**1,111**	**–**	**–**	**1,111**
	408,473	**1,218,019**	**90,936**	**1,717,428**
Timing of revenue recognition				
At a point in time	**407,362**	**1,218,019**	**90,936**	**1,716,317**
Transferred over time	**1,111**	**–**	**–**	**1,111**
	408,473	**1,218,019**	**90,936**	**1,717,428**

	Disaggregation of revenue from contracts with customers			
	Year ended December 31, 2018			
	Electronic parts	Construction and industrial products	Door and Window Frames Systems	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

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, 2018 and 2019 consists of the following:

	Year ended December 31, 2019					
	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	**1,216,616**	**236,544**	**50,619**	**71,173**	**142,476**	**1,717,428**
Cost of sales	**(1,258,669)**	**(200,573)**	**(35,322)**	**(67,456)**	**(152,675)**	**(1,714,695)**
Gross (loss)/profit	**(42,053)**	**35,971**	**15,297**	**3,717**	**(10,199)**	**2,733**

	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/(loss)	100,928	34,033	13,031	8,967	(4,223)	152,736

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

	Year ended December 31, 2019	Year ended December 31, 2018
	HK$'000	*HK$'000*
PRC Customer A	**269,477**	476,208
PRC Customer B	**239,019**	–

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, 2019	December 31, 2018
	HK$'000	*HK$'000*
The PRC	**1,341,876**	1,299,305
Hong Kong	**4,193**	4,637
Other countries	**25,683**	15,211
	1,371,752	1,319,153

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, 2019	December 31, 2018
	HK$'000	*HK$'000*
Trade receivables	**392,852**	425,988
Less: impairment loss recognized	**(16,716)**	(6,011)
Trade receivables – net	**376,136**	419,977
Bill receivables	**7,755**	–
Trade and bills receivables – net	**383,891**	419,977

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, 2018: 30 to 90 days). The Group does not hold any collateral as security.

As at December 31, 2019, the ageing analysis of the trade and bills receivables based on due date was as follows:

	December 31, 2019 *HK$'000*	December 31, 2018 *HK$'000*
Current	**245,107**	308,551
1 – 30 days	**70,963**	61,929
31 – 60 days	**20,418**	25,617
61 – 90 days	**18,756**	7,972
91 – 180 days	**25,833**	6,421
181 days – 1 year	**1,487**	3,214
More than 1 year	**1,327**	6,273
	383,891	419,977

6. TRADE PAYABLES

	December 31, 2019 *HK$'000*	December 31, 2018 *HK$'000*
Trade payables	**76,713**	98,375

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

	December 31, 2019 *HK$'000*	December 31, 2018 *HK$'000*
0 – 30 days	**19,972**	37,711
31 – 60 days	**23,790**	40,211
61 – 90 days	**7,849**	5,675
Over 90 days	**25,102**	14,778
	76,713	98,375

7. 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, 2019 *HK$'000*	Year ended December 31, 2018 *HK$'000*
Auditor's remuneration – current year	**4,000**	4,700
Operating leases – land and buildings	**–**	17,880
Cost of inventories recognized as expenses	**1,714,695**	1,489,479
Loss on disposal of property, plant and equipment	**5,625**	3,109
Loss on disposal of investments accounted for using the equity method	**–**	2,683
Employee benefit expenses	**350,527**	305,645
Revaluation loss on property, plant and equipment	**630**	–
Depreciation:		
– Owned property, plant and equipment	**105,363**	95,018
– Leased property, plant and equipment	**–**	2,306
– Right-of-use assets – land and buildings	**19,446**	–
Amortization of land use rights	**–**	6,412
Write off of inventories	**–**	4,117
Write off of trade receivables, net	**119**	2,967
Write off of right-of-use assets	**4,904**	–
Direct operating expenses arising from investment property that generated rental income	**145**	–
Impairment loss on inventories	**6,893**	–
Impairment loss on trade receivables	**10,718**	3,560
Impairment loss on other receivables	**1,827**	–
Legal and professional fees	**19,626**	17,763
Equity settled share-based payments to the consultant of the Group	**570**	–

9. OTHER INCOME

	Year ended December 31, 2019	Year ended December 31, 2018
	HK$'000	*HK$'000*
Government grants[(i)]	**4,371**	3,801
Forfeiture of customer deposits	**–**	338
Insurance claims	**139**	450
Scrap sales, net	**3,614**	7,762
Rental income	**930**	–
Customs refund	**1,264**	–
Others	**2,381**	1,526
	12,699	13,877

(i) For the year ended December 31, 2019, government grants include HK$3,989,000 (year ended December 31, 2018: HK$3,430,000) received from several PRC government authorities for the development of intellectual property patent, social security allowance and 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, 2019	Year ended December 31, 2018
	HK$'000	*HK$'000*
Net exchange gains/(losses)	**1,462**	(27,754)
Gain on disposal of subsidiaries	**–**	33,454
	1,462	5,700

11. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million for the year ended December 31, 2019 (year ended December 31, 2018: 16.5% on the estimated assessable profits).

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, 2019 (year ended December 31, 2018: Same). The standard PRC corporate income tax rate was 25% for the year ended December 31, 2019 (year ended December 31, 2018: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (Macao Commercial Offshore) Limited, a wholly-owned subsidiary of the Company is exempted from Macao Complementary Tax during the year ended December 31, 2019 (year ended December 31, 2018: Same).

	Year ended December 31, 2019	Year ended December 31, 2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– under-provisions in respect of prior years	**4,110**	20,271
Overseas taxation		
– current year	**1,825**	3,818
	5,935	24,089

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, 2019	December 31, 2018
	HK$'000	*HK$'000*
At beginning of year	**–**	4,463
Disposal	**–**	(3,552)
Share of results of investments accounted for using the equity method	**–**	(662)
Exchange differences	**–**	(249)
At end of year	**–**	–

13. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2019 (year ended December 31, 2018: Nil).

14. LOSS PER SHARE

Basic

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

	Year ended December 31, 2019	Year ended December 31, 2018
Loss attributable to owners of the Company (HK$'000)	**(495,594)**	(233,463)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**1,199,405**	1,199,405

Diluted

For the year ended December 31, 2019, the computation of diluted loss per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive. For the year ended December 31, 2019, 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.

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, 2019.

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, 2019, 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

(1) Receivables from, and possible relationship with a customer

As set out in Note 2.1.2 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 one of its customers, Customer C, as detailed in Note 2.1.2(A) to the consolidated financial statements.

During the year ended December 31, 2018, management had taken into account the new developments in 2018 as set out in Note 2.1.2(A) 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. Such trade receivables was fully impaired in prior years. However in our audit of the Group's consolidated financial statements for the year ended December 31, 2017, we were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of trade receivables due from Customer C of HK$Nil as at December 31, 2017 was fairly stated. Due to such audit scope limitation, our audit opinion on the Group's consolidated financial statements for the year ended December 31, 2018 ("**2018 consolidated financial statements**") was modified as we were unable to satisfy ourselves whether no write-down on such trade receivables due from Customer C recognized during the year ended December 31, 2018 was appropriate. Our audit opinion on the consolidated financial statements for the year ended December 31, 2019 is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the consolidated financial statements for the year ended 31 December 2019 ("**2019 consolidated financial statements**").

In our audit of 2018 consolidated financial statements, management was not able to provide us with sufficient information and explanations about the relationship between the Group and Customer C. As a result, we were unable to satisfy ourselves whether the Group had any related party relationship with Customer C and thus the accuracy and completeness of the disclosure of related party transaction in the 2018 consolidated financial statements. Our audit opinion on the 2019 consolidated financial statements is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of related party disclosures in the 2019 consolidated financial statements.

(2) Investment in and advances to a former associated company

As set out in Note 2.1.2(B) 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.

During the year ended December 31, 2018, 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 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 31 December 2018. However in our audit of the Group's consolidated financial statements for the year ended December 31, 2017, we were unable to obtain sufficient appropriate audit evidence regarding whether the carrying amount of advance due from the Leading Sense Group of HK$Nil as at December 31, 2017 was fairly stated. Due to such audit limitation, we are not able to satisfy ourselves whether no write-down on advance due from the Leading Sense Group recognized during the year ended December 31, 2018 was appropriate. Our audit opinion on the 2018 consolidated financial statements was qualified accordingly. Our audit opinion on the consolidated financial statements for the year ended December 31, 2019 is also modified because of the possible effect of our modified opinion on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the 2019 consolidated financial statements.

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$8). Management was not able to obtain the financial information of the Leading Sense Group, nor were they able to contact the other shareholders or management of the Leading Sense Group since January 2015. Therefore, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as whether the share of its results of an associated company of HK$Nil and the gain on disposal of an associated company of HK$8 were fairly stated in the 2018 consolidated financial statements. Our audit opinion on the 2018 consolidated financial statements was modified accordingly. Our audit opinion on the 2019 consolidated financial statements is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the 2019 consolidated financial statements.

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 with several production plants in the People's Republic of China ("**PRC**"), making and selling a large and diverse portfolio of high quality products to its customers. The Group strategically located plants in Guangdong, Henan, Xinjiang, literally in south, middle and north-west of PRC allows the Group to serve customers at more optimal cost of production in different locations. The Group manufacture mainly three categories of products: (i) Electronics Parts, (ii) Construction and Industrial Products and (iii) Door and Window Frames Systems.

The total operating revenue of the Group for the Year was HK$1,717 million (year ended December 31, 2018: HK$1,642 million), representing an increase of 5% as compared with the year ended December 31, 2018.

The Group's overall gross profit margin dropped from 9% for the year ended December 31, 2018 to 0.2% for the Year. The decrease in gross profit margin arose from (i) the competitive landscape in the market and the persisting unfavorable factors and market volatility (e.g the Sino-U.S. trade war) which are driving the Group to accept a deteriorated margin for sales; and (ii) the decline in sales of electronic parts which is the segment with the highest profit margin.

Net loss after tax attributable to shareholders had significantly increased from HK$233 million for the year ended December 31, 2018 to HK$496 million for the Year. It was mainly due to (i) a decrease in gross profit contribution; (ii) higher finance cost from borrowings associated with the Group's on-going expansion; (iii) an increase in employee benefit expense and severance payment which is caused by a reduction of the numbers of employees so as to improve the efficiency and productivity of the Company; and (iv) an increase in operating expenses because of the relocation of the Company's production facilities which decreases the efficiency of the labour and machines in the beginning period.

Revenue contributions by the respective segments for the years ended December 31, 2018 and 2019 are presented below:

	Revenue for the		**The percentage of total revenue for the**	
	Year ended December 31, 2019 ***(HK$ million)***	Year ended December 31, 2018 *(HK$ million)*	**Year ended December 31, 2019**	Year ended December 31, 2018
Business Segment				
– Electronics Parts	**408**	717	**23.8%**	43.7%
– Construction and Industrial Products	**1,218**	789	**70.9%**	48.0%
– Door and Window Frames Systems	**91**	136	**5.3%**	8.3%
Total	**1,717**	1,642	**100.0%**	100.0%
Geographical Segment				
– The PRC	**1,217**	1,116	**70.9%**	68.0%
– Australia	**236**	301	**13.7%**	18.3%
– North America	**51**	53	**3.0%**	3.2%
– Hong Kong	**71**	75	**4.1%**	4.6%
– Others	**142**	97	**8.3%**	5.9%
Total	**1,717**	1,642	**100.0%**	100.0%

Electronics Parts

The Electronics Parts segment contributed approximately HK$408 million to the total revenue of the Group, representing a decrease of 43% as compared with HK$717 million for the year ended December 31, 2018. Gross profit margin decreased to 11% for the Year as compared with 16% for year ended December 31, 2018. The prevailing global market conditions in 2019, including the outbreak of the Sino-U.S. trade war, had generally adversely affected the market sentiment; and thus constituted one of the factors contributing to the deterioration in revenue and gross profit margin of the Electronics Parts segment.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK$1,218 million (year ended December 31, 2018: HK$789 million) and -2% (year ended December 31, 2018: 3%) respectively for the Year. There was a 174% increase in sales from PRC with revenue of HK$717 million for the Year (year ended December 31, 2018: HK$262 million). The drop in gross profit margin was caused by a substantial increase in sales from PRC which has a lower profit margin.

Door and Window Frames Systems

The revenue and gross profit margin of the Door and Window Frame Systems segment were HK$91 million (year ended December 31, 2018: HK$136 million) and -21% (year ended December 31, 2018: 8%) respectively for the Year. In light of the uncertain business outlook of the doors and windows business, this business segment is under review by the Group.

Cost of Sales

Cost of sales increased by 15% from HK$1,489 million for the year ended December 31, 2018 to HK$1,715 million for the Year. The increase is higher than the increase in sales of 5% for the Year, mainly because of the substantial increase in the cost of sales of Construction and Industrial Products. Apart from this, the relocation of the Company's production facilities from Zengcheng to Nanyang has an effect on the productivity of the plant.

Gross Profit

Gross profit decreased from HK$153 million for the year ended December 31, 2018 to HK$3 million for the Year. The Group's gross profit margin has dropped from 9% for the year ended December 31, 2018 to 0.2% for the Year. The maintenance of sales would enable effective absorption of fixed costs, retention of relationships with customers and suppliers and equip the Group with requisite capacities to capture future opportunities and internalise potential benefits.

Distribution and Selling Expenses

Distribution and selling expenses increased by 13% from HK$70 million for the year ended December 31, 2018 to HK$79 million for the Year. The increase was due to the higher transportation cost for Xinjiang plant's construction and industrial products.

Administrative Expenses

Administrative expenses increased by 28% from HK$247 million for the year ended December 31, 2018 to HK$316 million for the Year. The increase was mainly due to an increase in non-recurring employee benefit expenses arising from the successful resumption of trading of the shares of the Company on the Exchange and severance payment which is caused by a reduction of the staff during the Year.

Other Income

Other income comprised net sales of scrapped materials which was HK$4 million for the Year.

Other gains-net

Other gain changed from HK$6 million for the year ended December 31, 2018 to HK$1 million for the Year. The change was mainly due to the offsetting effect of depreciation of Australian Dollar ("**AUD**") against Hong Kong Dollar ("**HKD**") that affecting equivalent HKD sales amount and the effect of the appreciation of United States Dollar ("**USD**") against Renminbi ("**RMB**") where USD was used for certain business trading in China, thus resulted in overall exchange gain.

Finance Income

Finance income mainly comprised interest income which amounted to approximately HK$1 million for the Year compared to HK$0.2 million for the year ended December 31, 2018.

Finance Costs

Finance costs amounted to approximately HK$113 million for the Year compared to HK$64 million for the year ended December 31, 2018.

Income Tax Expenses

The income tax changed from income tax expenses of HK$24 million for the year ended December 31, 2018 to HK$6 million for the Year.

Currency Translation Differences in Other Comprehensive Income

Currency translation differences amounted to approximately HK$11 million for the Year, which was mainly attributable to the currency translation difference of RMB against HKD.

Prospects

At the beginning of 2020, the challenges arising from the COVID-19 are unprecedented, all the Group's production facilities were disrupted, resulting in one more month delay of resuming production after Chinese New Year holiday. The management will keep monitoring the situation and adjusting the Group's strategy accordingly.

The Guangzhou Urban Renewal Bureau announced in late February 2018 that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme. As such, the management has been implementing a relocation plan of moving manufacturing facility at Zengcheng in Guangdong to Nanyang in Henan.

According to Suijian(2019)1802 issued by the Guangzhou Municipal Housing and Urban-Rural Development Bureau dated October 22, 2019, it was announced on February 26, 2020 by the Guangzhou Municipal Urban Planning and Resources Bureau that the Land Resumption of Zengcheng land has started. The Company will closely monitor the progress of the redevelopment and land resumption process concerning the Zengcheng land with an aim of attaining a favourable outcome towards the realisation of the value in the Zengcheng land.

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

The management has changed the strategy of supply chain to melt Aluminium ingots into rods which is one of the principal raw material for the Group's products. A newly established manufacturing facility for producing aluminium rods in Xinjiang also started production on June 4, 2019. With lower electricity charge on melting cost in Xinjiang, the Group could not only benefit from lower production costs but also enjoy a more stable supply of critical raw materials for products of the Group in future.

The Group will continue to develop the markets for the products, put emphasis on sales to overseas customers, and endeavor to improve the gross profit margin.

Liquidity and Financial Resources

The Group mainly uses borrowings for financing for its capital expenditure and working capital, taking into account the operational results and status of cashflow of the Group. As at December 31, 2019 the Group had HK$15.9 million cash and cash equivalents (December 31, 2018: HK$22.7 million), HK$47.9 million pledged bank deposits (December 31, 2018: HK$3.6 million), interest-bearing borrowings of HK$1,533.9 million denominated in RMB (December 31, 2018: HK$887.5 million denominated in RMB) and no obligation under finance leases (December 31, 2018: HK$0.1 million denominated in HKD).

Charges on Asset

HK$259 million (December 31, 2018: HK$270 million) of land use rights, HK$23 million (December 31, 2018: HK$25 million) of buildings, HK$115 million (December 31, 2018: HK$127 million) of plant and machinery, HK$45 million (December 31, 2018: HK$112 million) of trade receivables, HK$219 million (December 31, 2018: Nil) of inventories and HK$45 million (December 31, 2018: Nil) of bank deposits of the Group were pledged as security for the Group's borrowings.

Summary of Key Financial Ratios

	Year ended December 31, 2019	Year ended December 31, 2018
Gross Profit Margin [(1)]	**0.2%**	9.3%
Return on Equity [(2)]	**(203.7%)**	(31.3%)
Interest Coverage Ratio [(3)]	**(3.36)**	(2.27)

	As at December 31, 2019	As at December 31, 2018
Current Ratio [(4)]	**0.62**	0.60
Quick Ratio [(5)]	**0.44**	0.41
Gearing Ratio [(6)]	**630.6%**	119.2%
Debt to Equity Ratio [(7)]	**624.1%**	116.1%

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

(2) The calculation of Return on Equity is based on profit 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, 2019 and December 31, 2018, the Company's issued share capital was HK$120,000,000, divided into 1,200,000,000 shares of HK$0.1 each.

Foreign Exchange and Other Risk

The Group continued to receive AUD, USD and RMB from the 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.

Event After the Reporting Period

As reference to the aforesaid Investment Agreement and the Company's announcement dated March 3, 2020, PanAsia Enterprises (Jiangmen) Company Limited (榮陽實業(江門)有限公司), a wholly owned subsidiary of the Company established in the PRC, has succeeded in the bidding of the land use right of phase 1 of the target lands, which consists of a site area of approximately 133,332.99 square meters through an Open Tender on February 26, 2020 at the consideration of RMB46 million (equivalent to approximately HK$51.52 million). The particulars of phase 1 of the target lands are set out in the announcement of the Company dated March 3, 2020.

Following the outbreak of Coronavirus Disease 2019 in early 2020 in China and spread over the world, a series of precautionary and control measures have been and continued to be implemented across all operation sites of the Group postponement of work resumption after the Chinese New Year holiday in China offices, certain level of restrictions and controls over the travelling of people and traffic arrangements, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. The Group is still in the process of assessing the impacts and is currently unable to estimate the quantitative impacts to the Group.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2019 amounted to approximately HK$246 million (December 31, 2018: approximately HK$279 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

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

Employee Information and Remuneration Policies

As at December 31, 2019 the Group employed approximately 2,700 staff (December 31, 2018: 2,900). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Year, the Group incurred staff costs (including Directors' emoluments) of HK$351 million (year ended December 31, 2018: HK$306 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. 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 complied with 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**").

Audit Committee

The Company has an audit committee ("**Audit Committee**") comprises four members who are the independent non-executive Directors, Namely Mr. Mar Selwyn (Chairman), Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.

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, 2019 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
Cheung Wah Keung
Independent Non-executive Chairman
and Independent Non-Executive Director

Hong Kong, May 8, 2020

As at the date of this announcement, the executive directors of the Company are Mr. Gao Mingjie and Ms. Li Jiewen; and the independent non-executive directors of the Company are Mr. Mar Selwyn, Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.