

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PanAsialum Holdings Company Limited

榮陽實業集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2078)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

Financial Highlights

- Revenue for the six months ended June 30, 2018 was HK\$809 million, an increase of 3.6% compared with HK\$781 million for the corresponding period in year 2017;
- Gross profit for the six months ended June 30, 2018 was HK\$58 million, a decrease of 28.7% as compared with HK\$81 million for the corresponding period in year 2017;
- Loss attributable to owners of the Company for the six months ended June 30, 2018 was HK\$129 million, compared with a loss HK\$99 million for the corresponding period in year 2017; and
- Basic loss per share for the six months ended June 30, 2018 of 10.7 HK cents (six months ended June 30, 2017: 8.3 HK cents).

The board (the “**Board**”) of directors (the “**Directors**”) of PanAsialum Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2018, together with the comparative figures for the corresponding period in 2017.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

		Unaudited six months ended June 30, 2018 HK\$'000	Unaudited six months ended June 30, 2017 HK\$'000
	Notes		
Revenue	4	809,245	781,313
Cost of sales	4	(751,680)	(700,569)
Gross profit		57,565	80,744
Distribution and selling expenses	8	(34,490)	(51,144)
Administrative expenses	8	(112,969)	(128,324)
Other income		7,344	13,570
Other (losses)/gains – net	9	(13,031)	9,545
Operating loss		(95,581)	(75,609)
Finance income		127	564
Finance costs		(32,241)	(18,964)
Finance costs – net		(32,114)	(18,400)
Share of results of investments accounted for using the equity method		(236)	(4,036)
Loss before income tax		(127,931)	(98,045)
Income tax expense	10	(641)	(1,940)
Loss for the period		(128,572)	(99,985)
Loss attributable to:			
– Owners of the Company		(128,506)	(99,105)
– Non-controlling interests		(66)	(880)
		(128,572)	(99,985)

		Unaudited six months ended June 30, 2018 HK\$'000	Unaudited six months ended June 30, 2017 HK\$'000
	<i>Notes</i>		
Loss for the period		(128,572)	(99,985)
Other comprehensive income:			
Item that may be reclassified			
subsequently to profit or loss:			
Currency translation differences		<u>(8,445)</u>	<u>18,361</u>
Total comprehensive income			
for the period		<u>(137,017)</u>	<u>(81,624)</u>
Loss per share for loss			
attributable to the equity			
holders of the Company			
(Basic and diluted HK cents per share)	12	<u>(10.7)</u>	<u>(8.3)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		Unaudited June 30, 2018 HK\$'000	Audited December 31, 2017 HK\$'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		1,011,153	1,062,722
Land use rights		291,480	299,569
Investments accounted for using the equity method		2,309	4,463
Deposits and lease prepayments		2,777	2,445
Prepayments for property, plant and equipment		90,994	82,048
		<u>1,398,713</u>	<u>1,451,247</u>
Current assets			
Inventories		339,343	368,256
Trade and bills receivables	5	444,280	491,346
Prepayments, deposits and other receivables		52,432	90,589
Due from related companies	6	1,981	16,232
Due from the investments accounted for using the equity method	6	17,263	21,009
Pledged bank deposits		3,765	7,983
Cash and cash equivalents		86,063	26,336
		<u>945,127</u>	<u>1,021,751</u>
Total assets		<u>2,343,840</u>	<u>2,472,998</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		120,000	120,000
Reserves		741,592	878,543
		<u>861,592</u>	<u>998,543</u>
Equity attributable to owners of the Company		861,592	998,543
Non-controlling interests		—	66
Total equity		<u>861,592</u>	<u>998,609</u>

		Unaudited	Audited
		June 30,	December 31,
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Obligations under finance leases			
– non-current portion		–	136
Borrowings		<u>214,572</u>	<u>17,980</u>
		<u>214,572</u>	<u>18,116</u>
Current liabilities			
Trade payables	7	117,529	106,081
Other payables and accrued charges		309,277	361,229
Due to a director		6,645	–
Due to the investments accounted			
for using the equity method	6	1,688	1,703
Due to a related company	6	5,582	14,084
Borrowings		727,829	856,789
Obligations under finance leases – current			
portion		403	3,504
Deferred Income		19,343	19,814
Current income tax liabilities		<u>79,380</u>	<u>93,069</u>
		<u>1,267,676</u>	<u>1,456,273</u>
Total liabilities		<u>1,482,248</u>	<u>1,474,389</u>
Total equity and liabilities		<u>2,343,840</u>	<u>2,472,998</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2018 has been prepared in accordance with HKAS 34 'Interim Financial Reporting'. This condensed consolidated interim financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. KEY EVENTS

As disclosed in the annual report of 2017, the predecessor auditor of the Company identified certain matters during the course of its audit of the consolidated financial statements of the Company for the year ended September 30, 2014 and an investigation on certain matters by an independent professional advisor was undertaken. The basis for qualified opinion is set out in the 2016 and 2017 Independent Auditors Reports.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2017, as described in those annual consolidated financial statements.

(a) Estimation of income tax:

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

(b) Changes in accounting policy and disclosures:

(1) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. Of these, the following are relevant to the Group's condensed consolidated interim financial information.

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policy are disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments (“HKFRS 9”) and HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”) on the Group’s condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior period.

(i) *Accounting policies applied from January 1, 2018*

The changes in the accounting policies and the effects of the resulting changes are summarised below:

HKFRS 9 Financial Instruments

Investments and other financial assets

Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

- Debt instruments
Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the condensed consolidated interim income statement.

(2) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the condensed consolidated interim income statement.

(3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the condensed consolidated interim income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

HKFRS 15 Revenue from Contracts with Customers

Sales of goods

The Group manufactures and sells aluminium related products (including mold and samples). Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the condensed consolidated interim balance sheet.

Provision of services

Revenue from providing processing services is recognised in the accounting period in which the services are rendered.

(ii) Impact of adoption

The adoption of HKFRS 15 did not have any material impact on the Group's condensed consolidated interim financial information.

The adoption of HKFRS 9 from January 1, 2018 resulted in changes in accounting policies as described below.

Classification and measurement of financial instruments

On January 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. No reclassifications are necessary in this aspect.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9 new expected credit loss model:

- trade and bills receivables
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While pledged bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and bills receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade and bills receivables and considers that the expected credit loss is immaterial. Trade and bills receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at January 1, 2018.

Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial.

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

HKFRS 16, “Leases”

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$66,417,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

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

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

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on the entity’s condensed consolidated interim financial information.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

The description of each reportable product segment is as follows:

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

The segment information for the operating segments for the six months ended June 30, 2018 is as follows:

	Unaudited			
	Electronics	Construction	Branded	
	parts	and industrial	OPLV	
	products	products	products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	360,866	394,745	53,634	809,245
Cost of sales	(314,422)	(387,591)	(49,667)	(751,680)
Segment gross profit	46,444	7,154	3,967	57,565
Unallocated operating costs				(147,459)
Other income				7,344
Other losses – net				(13,031)
Finance costs – net				(32,114)
Share of results of investments accounted for using the equity method				(236)
Loss before income tax				(127,931)

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

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

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the six months ended June 30, 2018 and 2017 consists of the following:

	Unaudited six months ended June 30, 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	585,431	138,901	32,510	27,284	25,119	809,245
Cost of sales	(554,583)	(123,125)	(25,709)	(24,207)	(24,056)	(751,680)
Gross profit	<u>30,848</u>	<u>15,776</u>	<u>6,801</u>	<u>3,077</u>	<u>1,063</u>	<u>57,565</u>

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

5. TRADE AND BILLS RECEIVABLES

	Unaudited June 30, 2018 HK\$'000	Audited December 31, 2017 HK\$'000
Trade receivables – net	435,652	490,752
Bills receivables	<u>8,628</u>	<u>594</u>
Trade and bills receivables – net	<u>444,280</u>	<u>491,346</u>

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

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

	Unaudited	Audited
	June 30,	December 31,
	2018	2017
	HK\$'000	HK\$'000
Current	198,760	320,101
1 – 30 days	98,676	72,662
31 – 60 days	61,684	23,609
61 – 90 days	48,254	18,217
91 – 180 days	16,497	35,555
181 days – 1 year	16,362	3,714
More than 1 year	4,047	17,488
	444,280	491,346

As at June 30, 2018, receivables of HK\$198,760,000 were neither past due nor impaired (as at December 31, 2017: HK\$320,101,000). These receivables relate to customers for whom there is no recent history of default.

Certain subsidiaries of the Group pledged trade receivables balances amounting to HK\$145,711,000 to financial institution or bank in exchange for cash as at June 30, 2018 (as at December 31, 2017: HK\$199,810,000). The transactions have been accounted for as collateralized borrowings.

As at June 30, 2018, all trade receivables were non-interest bearing (as at December 31, 2017: Same).

6. DUE FROM/TO RELATED COMPANIES AND DUE FROM/TO THE INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

		Unaudited	Audited
		June 30,	December 31,
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from related companies			
– Guangzhou Rongjin Curtain Wall Co., Ltd.	(a), (b)	530	539
– Lumy Houseware (Shanghai) Company Limited		642	15,693
– Lumy House Limited	(a)	222	–
– 福建皓騰家居有限公司	(a)	587	–
Due to a related company	(a)		
– Lumy Houseware (Shanghai) Company Limited	(a)	(5,582)	(14,084)
Due from the investments accounted for using the equity method	(a)	17,263	21,009
Due to the investments accounted for using the equity method	(a)	(1,688)	(1,703)
		<u> </u>	<u> </u>

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.
- (b) The related company is controlled by family member of Mr. Pan who was the chairman of the Board until December 15, 2014.

7. TRADE PAYABLES

As at June 30, 2018 and December 31, 2017, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Unaudited	Audited
	June 30,	December 31,
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	40,228	44,212
31 – 60 days	20,412	20,387
61 – 90 days	16,481	10,285
Over 90 days	40,408	31,197
	<u> </u>	<u> </u>
	117,529	106,081
	<u> </u>	<u> </u>

8. EXPENSES BY NATURE

	Unaudited six months ended June 30, 2018 HK\$'000	Unaudited six months ended June 30, 2017 HK\$'000
Operating loss is stated after charging/(crediting) the following:		
Auditor's remuneration – current period	2,350	2,350
Operating leases – land and buildings	8,143	7,338
Cost of inventories recognized as expenses	751,680	700,569
Employee benefit expenses (include wages and salaries)	141,399	155,760
Depreciation of property, plant and equipment	49,146	46,332
Amortization of land use rights	3,507	3,103
	<u> </u>	<u> </u>

9. OTHER (LOSSES)/GAINS – NET

	Unaudited six months ended June 30, 2018 HK\$'000	Unaudited six months ended June 30, 2017 HK\$'000
Net exchange (losses)/gains	(13,056)	9,545
Gain on disposal of a subsidiary	25	–
	<u> </u>	<u> </u>
	<u>(13,031)</u>	<u>9,545</u>

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the six months ended June 30, 2018 (2017: same).

The Group's operations in the PRC are subject to the PRC corporate income tax. The standard PRC Corporate income tax rate was 25% during the six months ended June 30, 2018 (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 six months ended June 30, 2018 (2017: Same).

	Unaudited six months ended June 30, 2018 HK\$'000	Unaudited six months ended June 30, 2017 HK\$'000
Hong Kong profits tax		
– current period	(641)	(1,355)
Overseas taxation		
– current period	<u>–</u>	<u>(585)</u>
	<u>(641)</u>	<u>(1,940)</u>

11. DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2018 and 2017.

12. LOSS PER SHARE

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

	Unaudited six months ended June 30, 2018	Unaudited six months ended June 30, 2017
Loss attributable to equity holders of the Company (HK\$'000)	<u>(128,506)</u>	<u>(99,105)</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (<i>thousands</i>)	<u>1,199,405</u>	<u>1,199,405</u>
Basic loss per share (<i>HK cents</i>)	<u><u>(10.7)</u></u>	<u><u>(8.3)</u></u>

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended June 30, 2018 and 2017, respectively.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the interim results of the Group for the six months ended June 30, 2018.

The global economic upswing continued to strengthen in 2018, but there are still uncertainties existing. Based on the Group's financial situation, we will maintain our prudent financial policy, further stringent on investment decisions and strengthen cost control, pay more attention to our cash-flow management and maintain a more competitive financial condition.

We have proactively adjusted our approach and strategy for our future development, continued to focus on quality and efficiency. Distribution and selling expenses decreased from HK\$51 million for the 2017 Period to HK\$34 million for the Period Under Review, decreased by 33%. It consists of mainly advertising expenses and staff related expenses. Administrative expenses decreased from HK\$128 million for the 2017 Period to HK\$113 million for the Period Under Review, decreased by 12%. It was mainly due to decrease in entertainment expenses and staff costs. With the reduction in distribution and selling expenses and administrative expenses, we still achieved favourable results. The total operating revenue of the Group for the Period Under Review was HK\$809 million (2017 Period: HK\$781 million), representing an increase of 3.6% as compared with the 2017 Period.

As one of the largest and leading vertically integrated enterprises in the world for creating high-end aluminium customization, electronic accessories and structural profiling, the Group continues to uphold the corporate culture of continuous innovation and the pursuit of excellence, capturing market demand and actively emerging opportunities in the market. The Group is continued to carry out R&D and innovation to meet the demand of the market with the most advanced and price competitive aluminium products.

On August 3, 2018, Ms. Shao Liyu ceases to be a director and the chief executive officer of the Company. On behalf of the Board, I wish to extend my appreciation to Ms. Shao Liyu for her contributions to the Company.

Despite the changing and challenging industry environment, I remain confident in the future of the Group. After steady growth in the past decades, the Group is already equipped with a solid foundation to deal with external risks. Management and staff have a forward-looking vision and extensive experience to face periodic industry cycles. With our improving financial condition, management will continue to target at new opportunities. On behalf of the Board, I would like to take this opportunity to express my utmost gratitude to our customers, bankers, suppliers, business associates and most valued shareholders for their continuous trust and support to the Group.

Huang Gang,
Chairman

Hong Kong, August 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Business and Financial Overview

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

The total operating revenue of the Group for the first six months ended June 30, 2018 (“**Period Under Review**”) was HK\$809 million (2017 Period: HK\$781 million), representing an increase of 3.6% as compared with the six months ended June 30, 2017 (“**2017 Period**”). The Group's overall gross profit margin was 7.1% for Period Under Review which is lower than 2017 Period of 10.3%. Net loss after tax attributable to shareholders was HK\$129 million (2017 Period: net loss after tax HK\$99 million).

Electronics Parts

The Electronics Parts segment contributed HK\$361 million to the total revenue of the Group, representing a decrease of 3.8% as compared with HK\$375 million for the 2017 Period. The gross profit margin of the Electronics Parts has decreased from 15.4% for the 2017 Period to 12.9% for the Period Under Review.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK\$395 million (2017 Period: HK\$328 million) and 1.8% (2017 Period: 5.2%) for the Period Under Review respectively. The segment experienced an increase in revenue but a decrease in gross profit margin in the Period Under Review. Australian sales have increased 7.6% from HK\$129 million in the 2017 Period to HK\$139 million for the Period Under Review and the sales to other regions (exclude the PRC) had increased 0.2% for the Period Under Review. The increasing prices of aluminium ingots and other raw materials have reduced the gross profit margin of the Construction and Industrial Products segment.

Branded OPLV Products

This segment contributed 6.6% of the total Group sales in the Period Under Review which is lower than that in the 2017 period of 10.1% and there was a slightly increase in the gross profit margin from 7.2% for the 2017 Period to 7.4% for the Period Under Review.

Cost of sales

With the increase in sales, cost of sales increased by 7.3% from HK\$701 million for the 2017 Period to HK\$752 million for the Period Under Review.

Gross profit

Gross profit declined by 28.7% from HK\$81 million for the 2017 Period to HK\$58 million for the Period Under Review, there was a decrease in gross profit margin from 10.3% for the 2017 Period to 7.1% for the Period Under Review, due to the increase in prices of aluminium ingots and other raw materials and shift of segment/product mix.

Distribution and selling expenses

Distribution and selling expenses decreased from HK\$51 million for the 2017 Period to HK\$34 million for the Period Under Review. It consists of mainly advertising expenses and staff related expenses.

Administrative expenses

Administrative expenses decreased from HK\$128 million for the 2017 Period to HK\$113 million for the Period Under Review. It was mainly due to decrease in entertainment expenses and staff costs.

Other (losses)/gains – net

Other gains changed from HK\$10 million for the 2017 Period to a loss of HK\$13 million for the Period Under Review. The loss was mainly due to the depreciation of Australian Dollar (“AUD”) against HKD during the Period Under Review which the Group had suffered significant exchange losses.

Finance income

Finance income decreased from HK\$0.6 million for the 2017 Period to HK\$0.1 million for the Period Under Review. It mainly comprised interest income.

Finance costs

Finance costs amounted to approximately HK\$32 million for the Period Under Review compared to HK\$19 million for 2017 Period.

Income tax expenses

Income tax expenses of HK\$0.6 million was mainly incurred in Hong Kong for the Period Under Review.

Prospects / Future Business Development

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

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

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders’ equity, internally generated cash flow and borrowings. As at June 30, 2018, the Group had HK\$86 million cash and cash equivalents (as at December 31, 2017: HK\$26 million), HK\$4 million pledged bank deposits (as at December 31, 2017: HK\$8 million), interest-bearing borrowings of HK\$940 million denominated in Renminbi (“**RMB**”) (as at December 31, 2017: HK\$875 million denominated in RMB) and obligation under finance leases of HK\$0.4 million denominated in HKD (as at December 31, 2017: HK\$4 million denominated in RMB and HKD).

Charges on Asset

HK\$228 million (as at December 31, 2017: HK\$290 million) of land use rights, HK\$31 million (as at December 31, 2017: HK\$29 million) of buildings, HK\$146 million (as at December 31, 2017: HK\$86 million) of plant and machinery and HK\$146 million (as at December 31, 2017: HK\$200 million) of trade receivables of the Group were pledged as security for the Group’s bank borrowings.

Capital Structure

As at June 30, 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 Period Under Review, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

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

Significant Investment, Material Acquisition and Disposal

On December 28, 2017, PanAsia Aluminium (Hong Kong) Limited and PanAsia Trading Limited (which are wholly-owned subsidiaries of the Company) as the vendors, the purchasers, which are companies beneficially owned by Ms. Shao Liyu ("**Ms. Shao**"), and Ms. Shao entered into the agreement, pursuant to which the vendors conditionally agreed to sell and the purchasers conditionally agreed to purchase the shares of OPLV (Nanyang) Doors and Windows Systems Co., Ltd ("**OPNY**") and OPLV Architectural Design Pty Ltd ("**OPAD**"). The vendors shall also procure the accounts receivable to be transferred or assigned to the purchasers, all at an aggregate consideration of RMB20 million.

On May 14, 2018, the parties to the agreements agreed to extend the long stop date to October 28, 2018 since additional time is required to prepare and finalise the circular to the Shareholders in relation to the disposal.

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

Details and updates 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, June 29, 2018, August 24, 2018 and August 29, 2018.

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

Save as disclosed above, the Group did not have any significant investment, material acquisition and disposal during the Period Under Review.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2018 amounted to approximately HK\$283 million (as at December 31, 2017: HK\$311 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

As at June 30, 2018, the Group had no contingent liabilities (as at December 31, 2017: Nil).

Employee Information and Remuneration Policies

As at June 30, 2018, the Group employed approximately 3,500 staff (as at 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 Period Under Review, the Group incurred staff costs (including Directors' emoluments) of HK\$141 million (2017 Period: HK\$156 million).

INTERIM DIVIDEND

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

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Shares

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

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to corporate success and to enhance the Shareholders' value. The Group has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period Under Review.

Changes of Directors' Information

The following are the changes in the information of Directors since the disclosure during the six months ended June 30, 2018 and up to the date of this report that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

The salary of Dr. Huang Gang, an executive Director and the Chairman of the Board (appointed as the Chairman on August 3, 2018), has been adjusted from HK\$2,600,000 per annum to HK\$3,000,000 per annum with effect from August 3, 2018. Such salary has been determined by the Board reference to his experience and his duties and responsibilities in the Company as well as the current market rate.

The salary of Mr. Wong Kwok Wai Eddy, an executive Director and the chief executive officer of the Company (“**CEO**”) (appointed as CEO on August 3, 2018), has been adjusted from HK\$1,800,000 per annum to HK\$2,600,000 per annum with effect from August 3, 2018. Such salary has been determined by the Board reference to his experience and his duties and responsibilities in the Company as well as the current market rate.

Mr. Leung Ka Tin, an independent non-executive director of the Company, has resigned as the chief executive officer and director of SSC Joyspring Mining (PTY) Limited, which owns two diamond mines in Republic of South Africa, in August 2018.

Except as set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Model Code for Securities Transactions by Directors

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Decision of the Listing (Review) Committee

References are made to the Company's announcements dated January 10, 2018, March 28, 2018, April 20, 2018 and May 8, 2018 in respect of the Listing Department's Decision and the Review Hearing of the Company (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings ascribed to them in the Announcements. Trading in the Shares on the Stock Exchange has been suspended since December 17, 2014.

On July 12, 2018, a review hearing was held by the Listing (Review) Committee of the Stock Exchange for the purpose of reviewing the Listing Committee's Decision dated April 20, 2018. On July 17, 2018, the Stock Exchange informed the Company that the Listing (Review) Committee has decided not to uphold the Listing Committee's Decision to commence procedures under Rule 6.10 of the Listing Rules to cancel the Company's listing under Rule 6.01(4) (the "**Listing (Review) Committee's Decision**") subject to the condition that Ms. Shao Liyu ("**Ms. Shao**") ceases to be a director and the chief executive officer of the Company and it being effected prior to the resumption of trading of the Company's shares.

To facilitate resumption in trading of the shares in the Company, Ms. Shao has resigned as joint chief executive officer and an executive Director of the Company and also as the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from August 3, 2018. Ms. Shao also ceased to be a member of each of the remuneration committee and the nomination committee of the Company.

The Company has submitted a resumption application to the Stock Exchange and will keep all potential investors and shareholders of the Company informed on any updates of the resumption progress by way of publishing further announcement(s) as and when appropriate.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after June 30, 2018 and up to the date of this interim results announcement.

AUDIT COMMITTEE

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 unaudited consolidated interim financial statements for the six months ended June 30, 2018 and has recommended their adoption to the Board.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the six months ended June 30, 2018 has not been audited, but has been reviewed by the Audit Committee of the Company.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company (<http://www.palum.com>). The interim report of the Company for the six months ended June 30, 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.

SUSPENSION OF TRADING

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

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

Hong Kong, August 30, 2018

As at the date of this announcement, the executive directors of the Company are Dr. Huang Gang and Mr. Wong Kwok Wai Eddy; 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.