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# 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, 2019

**Financial Highlights**

- Revenue for the six months ended June 30, 2019 was HK$736 million, a decrease of 9.1% compared with HK$809 million for the corresponding period in year 2018;

- Gross profit for the six months ended June 30, 2019 was HK$31 million, a decrease of 46% as compared with HK$58 million for the corresponding period in year 2018;

- Loss attributable to owners of the Company for the six months ended June 30, 2019 was HK$215 million, compared with a loss HK$129 million for the corresponding period in year 2018; and

- Basic loss per share for the six months ended June 30, 2019 of 17.9 HK cents (six months ended June 30, 2018: 10.7 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, 2019, together with the comparative figures for the corresponding period in 2018.

## FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended June 30, 2019*

| | *Notes* | **Unaudited six months ended June 30, 2019** *HK$'000* | Unaudited six months ended June 30, 2018 *HK$'000* |
|---|---|---|---|
| Revenue | *4* | **735,787** | 809,245 |
| Cost of sales | *4* | **(704,707)** | (751,680) |
| **Gross profit** | | **31,080** | 57,565 |
| Distribution and selling expenses | | **(33,109)** | (34,490) |
| Administrative expenses | | **(151,955)** | (112,969) |
| Other income | | **7,998** | 7,344 |
| Other losses – net | *8* | **(2,582)** | (13,031) |
| **Operating loss** | | **(148,568)** | (95,581) |
| Finance income | | **69** | 127 |
| Finance costs | | **(63,551)** | (32,241) |
| Finance costs – net | | **(63,482)** | (32,114) |
| Share of results of investments accounted for using the equity method | | **–** | (236) |
| **Loss before income tax** | | **(212,050)** | (127,931) |
| Income tax expense | *9* | **(2,591)** | (641) |
| **Loss for the Period** | | **(214,641)** | (128,572) |
| **Loss attributable to:** | | | |
| – Owners of the Company | | **(214,641)** | (128,506) |
| – Non-controlling interests | | **–** | (66) |
| | | **(214,641)** | (128,572) |

| | Notes | **Unaudited six months ended June 30, 2019** *HK$'000* | Unaudited six months ended June 30, 2018 *HK$'000* |
|---|---|---|---|
| **Loss for the Period** | | **(214,641)** | (128,572) |
| **Other comprehensive income:** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences | | **2,678** | (8,445) |
| **Item that will not be reclassified to profit or loss:** | | | |
| Change in fair value of investment property | | **(111)** | – |
| **Total comprehensive income for the Period** | | **(212,074)** | (137,017) |
| **Loss per share for loss attributable to the equity holders of the Company** (Basic and diluted HK cents per share) | *11* | **(17.9)** | (10.7) |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

*As at June 30, 2019*

| | Notes | **Unaudited June 30, 2019** | Audited December 31, 2018 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **990,159** | 958,941 |
| Land use rights | | **269,125** | 278,598 |
| Right-of-use assets | | **23,841** | – |
| Investment properties | | **12,003** | – |
| Deposits and lease prepayments | | **1,316** | 1,587 |
| Prepayments for property, plant and equipment | | **60,380** | 80,027 |
| | | **1,356,824** | 1,319,153 |
| **Current assets** | | | |
| Inventories | | **293,251** | 243,523 |
| Trade and bills receivables | *5* | **430,174** | 419,977 |
| Prepayments, deposits and other receivables | | **95,830** | 81,604 |
| Pledged bank deposits | | **3,138** | 3,635 |
| Cash and cash equivalents | | **85,041** | 22,720 |
| | | **907,434** | 771,459 |
| **Total assets** | | **2,264,258** | 2,090,612 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **120,000** | 120,000 |
| Reserves | | **412,814** | 624,888 |
| Equity attributable to owners of the Company | | **532,814** | 744,888 |
| **Total equity** | | **532,814** | 744,888 |

| | Notes | Unaudited<br>June 30,<br>2019<br>*HK$'000* | Audited<br>December 31,<br>2018<br>*HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **551,927** | 70,509 |
| Lease liabilities | | **10,487** | – |
| | | **562,414** | 70,509 |
| **Current liabilities** | | | |
| Trade payables | *6* | **63,602** | 98,375 |
| Contract liabilities, other payables and accrued charges | | **198,621** | 236,511 |
| Due to a director | | **644** | 6,645 |
| Borrowings | | **802,687** | 816,965 |
| Lease liabilities | | **12,694** | – |
| Obligations under finance leases – current portion | | **–** | 136 |
| Deferred income on government grants | | **18,215** | 18,469 |
| Current income tax liabilities | | **72,567** | 98,114 |
| | | **1,169,030** | 1,275,215 |
| **Total liabilities** | | **1,731,444** | 1,345,724 |
| **Total equity and liabilities** | | **2,264,258** | 2,090,612 |

# 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, 2019 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, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

## 2 KEY EVENTS

As disclosed in the annual report of 2018, 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, 2017 and 2018 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, 2018, 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:

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards effective as of January 1, 2019.

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements 2015–2017 Cycle | Amendments to HKFRS 3, HKAS 12 and HKAS 23 |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

*3.1. Adoption of HKFRS 16*

***Impacts on transition***

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at January 1, 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at January 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(i) The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

| | **Increase**<br>***HK$'000***<br>**(Unaudited)** |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | **29,356** |
| **Increase in total assets** | **29,356** |
| **Liabilities** | |
| Increase in lease liabilities | **29,356** |
| **Increase in total liabilities** | **29,356** |

(ii) Nature of the effect of adoption of HKFRS 16

The lease liabilities as at January 1, 2019 reconciled to the operating leases commitments as at December 31, 2018 is as follows:

| | *HK$'000* **(Unaudited)** |
|---|---|
| Operating lease commitments as at December 31, 2018 | **32,355** |
| Incremental borrowing rate as at January 1, 2019 | **7.24%** |
| Discounted operating lease commitments as at January 1, 2019 | **29,356** |
| Lease liabilities as at January 1, 2019 | **29,356** |

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, 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.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease for additional terms of certain years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

(iii) Amounts recognised in the statement of financial position and profit or loss

| | **Right-of-use assets** *HK$'000* **(Unaudited)** | **Lease liabilities** *HK$'000* **(Unaudited)** |
|---|---|---|
| As at January 1, 2019 | **29,356** | **29,356** |
| Depreciation charge | **(5,488)** | **–** |
| Interest expense | **–** | **796** |
| Payments | **–** | **(6,947)** |
| Exchange realignment | **(27)** | **(24)** |
| As at June 30, 2019 | **23,841** | **23,181** |

## 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 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** |
|---|---|
| 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 | Door and window frames systems sold through distributors |

The segment information for the operating segments for the six months ended June 30, 2019 is as follows:

| | **Unaudited** | | | |
|---|---|---|---|---|
| | **Electronics parts** | **Construction and industrial products** | **Door and Window Frames Systems** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Sales to external customers | **263,398** | **429,719** | **42,670** | **735,787** |
| Cost of sales | **(234,111)** | **(423,543)** | **(47,053)** | **(704,707)** |
| Segment gross profit | **29,287** | **6,176** | **(4,383)** | **31,080** |
| Unallocated operating costs | | | | **(185,064)** |
| Other income | | | | **7,998** |
| Other losses – net | | | | **(2,582)** |
| Finance costs – net | | | | **(63,482)** |
| Loss before income tax | | | | **(212,050)** |

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

| | Unaudited | | | |
|---|---|---|---|---|
| | Electronics parts | Construction and industrial products | Door and Window Frames Systems | 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 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, 2019 and 2018 consists of the following:

| | **Unaudited six months ended June 30, 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 | **468,878** | **122,799** | **29,249** | **47,262** | **67,599** | **735,787** |
| Cost of sales | **(461,745)** | **(106,858)** | **(21,165)** | **(41,142)** | **(73,797)** | **(704,707)** |
| Gross profit | **7,133** | **15,941** | **8,084** | **6,120** | **(6,198)** | **31,080** |

| | 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 | 30,848 | 15,776 | 6,801 | 3,077 | 1,063 | 57,565 |

## 5 TRADE AND BILLS RECEIVABLES

| | **Unaudited June 30, 2019** *HK$'000* | Audited December 31, 2018 *HK$'000* |
|---|---|---|
| Trade receivables – net | **422,254** | 419,977 |
| Bills receivables | **7,920** | – |
| Trade and bills receivables – net | **430,174** | 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 (2018: Same). The Group does not hold any collateral as security.

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

| | **Unaudited June 30, 2019** *HK$'000* | Audited December 31, 2018 *HK$'000* |
|---|---|---|
| Current | **293,990** | 308,551 |
| 1 – 30 days | **59,885** | 61,929 |
| 31 – 60 days | **14,185** | 25,617 |
| 61 – 90 days | **11,309** | 7,972 |
| 91 – 180 days | **34,406** | 6,421 |
| 181 days – 1 year | **11,719** | 3,214 |
| More than 1 year | **4,680** | 6,273 |
| | **430,174** | 419,977 |

As at June 30, 2019, receivables of HK$293,990,000 were neither past due nor impaired (as at December 31, 2018: HK$308,551,000). 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$83,252,000 to financial institution or bank in exchange for cash as at June 30, 2019 (as at December 31, 2018: HK$111,930,000). The transactions have been accounted for as collateralized borrowings.

As at June 30, 2019, all trade receivables were non-interest bearing (as at December 31, 2018: Same).

## 6 TRADE PAYABLES

As at June 30, 2019 and December 31, 2018, the ageing analysis of the Group's trade payables based on invoice date was as follows:

| | **Unaudited June 30, 2019** | Audited December 31, 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **24,602** | 37,711 |
| 31 – 60 days | **18,018** | 40,211 |
| 61 – 90 days | **7,978** | 5,675 |
| Over 90 days | **13,004** | 14,778 |
| | **63,602** | 98,375 |

## 7 EXPENSES BY NATURE

| | **Unaudited six months ended June 30, 2019** | Unaudited six months ended June 30, 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating loss is stated after charging/(crediting) the following: | | |
| Auditor's remuneration – current period | **2,350** | 2,350 |
| Cost of inventories recognized as expenses | **704,707** | 751,680 |
| Employee benefit expenses (include wages and salaries) | **161,788** | 141,399 |
| Depreciation of property, plant and equipment | **50,412** | 49,146 |
| Depreciation of right-of-use assets | **5,488** | – |
| Amortization of land use rights | **3,373** | 3,507 |

## 8 OTHER LOSSES – NET

| | Unaudited six months ended June 30, 2019 *HK$'000* | Unaudited six months ended June 30, 2018 *HK$'000* |
|---|---|---|
| Net exchange losses | **(2,582)** | (13,056) |
| Gain on disposal of a subsidiary | **–** | 25 |
| | **(2,582)** | (13,031) |

## 9 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, 2019 (2018: 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, 2019 (2018: 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, 2019 (2018: Same).

| | Unaudited six months ended June 30, 2019 *HK$'000* | Unaudited six months ended June 30, 2018 *HK$'000* |
|---|---|---|
| Hong Kong profits tax | | |
| – current period | **(2,591)** | (641) |
| Overseas taxation | | |
| – current period | **–** | – |
| | **(2,591)** | (641) |

## 10 DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2019 and 2018.

## 11 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, 2019** | Unaudited six months ended June 30, 2018 |
|---|---|---|
| Loss attributable to equity holders of the Company (*HK$'000*) | **(214,641)** | (128,506) |
| Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)* | **1,199,405** | 1,199,405 |
| Basic loss per share *(HK cents)* | **(17.9)** | (10.7) |

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, 2019 and 2018, respectively.

## 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) Door and Window Frames Systems.

The total operating revenue of the Group for the first six months ended June 30, 2019 ("**Period**") was HK$736 million (2018 Period: HK$809 million), representing a decrease of 9.1% as compared with the six months ended June 30, 2018 ("**2018 Period**"). The Group's overall gross profit margin was 4.2% for the Period which is lower than 2018 Period of 7.1%. Net loss after tax attributable to shareholders was HK$215 million (2018 Period: HK$129 million).

***Electronics Parts***

The Electronics Parts segment contributed HK$263 million to the total revenue of the Group, representing a decrease of 27.0% as compared with HK$361 million for the 2018 Period. The gross profit margin of the Electronics Parts has decreased from 12.9% for the 2018 Period to 11.1% for the Period.

***Construction and Industrial Products***

The revenue and gross profit margin of the Construction and Industrial Products segment were HK$430 million (2018 Period: HK$395 million) and 1.4% (2018 Period: 1.8%) for the Period respectively. The segment experienced an increase in revenue but a decrease in gross profit margin in the Period and the sales to other regions (include the Europe) had increased 169% for the Period. The increasing prices of raw materials and other manufacturing cost have reduced the gross profit margin of the Construction and Industrial Products segment.

***Door and Window Frames Systems***

The Door and Window Frames Systems segment contributed HK$43 million to the total revenue of the Group, representing a decrease of 20.4% as compared with HK$54 million for the 2018 Period. The gross profit margin of the Door and Window Frames Systems has decreased from gross profit margin of 7.4% for the 2018 Period to gross loss margin of 10.3% for the Period.

***Cost of sales***

With the decrease in sales, cost of sales decreased by 6.2% from HK$752 million for the 2018 Period to HK$705 million for the Period.

***Gross profit***

Gross profit declined by 46.0% from HK$58 million for the 2018 Period to HK$31 million for the Period, there was a decrease in gross profit margin from 7.1% for the 2018 Period to 4.2% for the Period, due to (i) a decrease in turnover for the Period; (ii) increase in prices of raw materials and manufacturing cost; and (iii) commencing of new production line in Nanyang and Xinjiang.

***Distribution and selling expenses***

Distribution and selling expenses decreased from HK$34 million for the 2018 Period to HK$33 million for the Period. It consists of mainly transportation expenses and staff related expenses.

***Administrative expenses***

Administrative expenses increased from HK$113 million for the 2018 Period to HK$152 million for the Period. It was mainly due to increase in operating expenses especially the increase in employee benefit expenses.

***Other losses – net***

Other losses changed from HK$13 million for the 2018 Period to HK$3 million for the Period. The loss was mainly due to the depreciation of Renminbi ("**RMB**") against HKD during the Period which the Group had suffered exchange losses.

***Finance income***

Finance income was HK$0.1 million, which was similar to the 2018 Period. It mainly comprised of interest income.

***Finance costs***

Finance costs amounted to approximately HK$64 million for the Period compared to HK$32 million for 2018 Period. The increase in finance cost is due to the increase in borrowing associated with the Group's on-going acquisition and expansion.

***Income tax expenses***

Income tax expenses of HK$3 million was mainly incurred in Hong Kong for the Period.

***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 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.

As disclosed in the announcement of the Company dated October 1, 2013, the Company plans to relocate its current production facilities in Zengcheng, Guangdong Province to Nanyang City in Henan Province, the PRC and establish a new aluminium alloy production base there.

In late February 2018, the Guangzhou Urban Renewal Bureau announced that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme.

Subject to formal documentation converting the usage of land from industrial use to commercial and residential use, the Group's Zengcheng production plant moved out from the existing site. After further discussion and negotiation with relevant government authorities or potential investors, the Group considered that it is likely to be further benefitted from this situation in term of the potential increase in value of the Zengcheng land. The relocation process of the Zengcheng production plant is still under progress.

* *for identification purpose only*

Phase 2 of the Group's integrated manufacturing facility for the anodising process of the Group's product in Nanyang begun production on April 20, 2019. Details for the construction and commencement of the production of the Nayang production facility are set out in the announcements of the Company dated April 8, 2015, October 23, 2015 and November 17, 2015.

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

Phase 1 of the manufacturing facility for producing aluminium rods in Xinjiang begun production on June 4, 2019. Details of the investment agreement for the Xinjiang Project are set out in the announcement of the Company dated April 13, 2015.

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

With the Zengcheng, Nanyang and XinJiang facilities, the Group can better integrate its existing production facilities and expand its production capacity to meet the growing demand for high quality products.

### *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, 2019, the Group had HK$85 million cash and cash equivalents (as at December 31, 2018: HK$23 million), HK$3 million pledged bank deposits (as at December 31, 2018: HK$4 million), interest-bearing borrowings of HK$1,355 million denominated in RMB (as at December 31, 2018: HK$888 million denominated in RMB) and obligation under finance leases of HK$ Nil million (as at December 31, 2018: HK$0.1 million denominated in HKD).

### *Charges on Asset*

HK$222 million (as at December 31, 2018: HK$270 million) of land use rights, HK$115 million (as at December 31, 2018: HK$25 million) of buildings, HK$120 million (as at December 31, 2018: HK$127 million) of plant and machinery and HK$83 million (as at December 31, 2018: HK$112 million) of trade receivables of the Group were pledged as security for the Group's bank borrowings.

### *Capital Structure*

As at June 30, 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 Australian Dollar ("**AUD**"), United States Dollar and RMB from our sales to major customers during the Period, 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, 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***

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.

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

**Capital Commitments**

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2019 amounted to approximately HK$229 million (as at December 31, 2018: HK$279 million), which was mainly related to the acquisition of machineries in the PRC.

**Contingent Liabilities**

As at June 30, 2019, the Group had no contingent liabilities (as at December 31, 2018: Nil).

**Employee Information and Remuneration Policies**

As at June 30, 2019, the Group employed approximately 2,900 staff (as at 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 Period, the Group incurred staff costs (including Directors' emoluments) of HK$162 million (2018 Period: HK$141 million).

## INTERIM DIVIDEND

At the meeting of the Board held on August 20, 2019, the Board did not declare an interim dividend for the six months ended June 30, 2019.

* *for identification purpose only*

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

### 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 Rules Governing the Listing of Securities on the Exchange ("**Listing Rules**") throughout the Period.

### Changes Of Directors' Information

Below are the changes in the information of Directors during the Period and up to the date of this announcement that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Leung Ka Tin, an independent non-executive director of the Company, had been appointed as an independent non-executive director of Rentian Technology Holdings Limited (Stock Code: 885) with effect from May 6, 2019.

Except as set out in this announcement, there is no other 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.

## CONNECTED TRANSACTION

On November 5, 2018, the Company entered into another framework agreement for supplying goods to Lumy Houseware (Shanghai) Company Limited ("**Lumy SH**"). This framework agreement shall commence on the date of signing for a period of three (3) years. The annual cap for the supplied amount is HK$16 million.

On February 22, 2019, due to the internal restructuring of Lumy SH, LumySH ceased to be a connected person of the Company afterward. As such, the transaction shall no longer be regarded as continuing connected transaction.

## 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, 2019 and has recommended their adoption to the Board.

## REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period 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 Exchange (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, 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*

Hong Kong, August 20, 2019

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