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

The board (the "**Board**") of directors (the "**Directors**") of PanAsialum Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated unaudited annual results of the Group for the year ended December 31, 2019 (the "**Year**"), together with the comparative figures as below. For the reasons explained in the paragraph headed "Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the Year has not been completed.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	**Year ended December 31, 2019** *HK$'000*	Year ended December 31, 2018 *HK$'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)
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 equity holders of the Company			
Basic and diluted *(HK cents per share)*	*14*	**(41.3)**	(19.5)

	Year ended December 31, 2019 *HK$'000*	Year ended December 31, 2018 *HK$'000*
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 the Company's equity holders			
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 – current portion		**–**	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, 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 are of the opinion that, taking into account the successful implementation of measures of the Group, 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.

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 summarized 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 summarized 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 – current portion	**(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 capitalize (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.

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 *HK$'000*	**Construction and industrial products** *HK$'000*	**Door and Window Frames Systems** *HK$'000*	**Total** *HK$'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**

	Electronic parts	Construction and industrial products	Door and Window Frames Systems	Total
	Disaggregation of revenue from contracts with customers Year ended December 31, 2018			
	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**	–
PRC Customer C	**166,198**	–

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 *HK$'000*	December 31, 2018 *HK$'000*
Trade receivables	**392,852**	425,988
Less: other impairment loss recognized	**(16,716)**	(6,011)
Trade receivables – net	**376,136**	419,977
Bills 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 and bills payables	**76,713**	98,375

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

	December 31, 2019	December 31, 2018
	HK$'000	*HK$'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 losses on trade receivables	**10,718**	3,560
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 *HK$'000*	Year ended December 31, 2018 *HK$'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. 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 *HK$'000*	Year ended December 31, 2018 *HK$'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) is exempted from Macao Complementary Tax during the year ended December 31, 2019 (year ended December 31, 2018: Same).

	Year ended December 31, 2019 *HK$'000*	Year ended December 31, 2018 *HK$'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 equity holders 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 equity holders 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

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 years ended December 31, 2018 and 2019, diluted loss per share is of the same amount on the basic loss per share as there were no potential dilutive ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Unaudited Annual Results

The reporting and audit process of the Group's annual results for the year ended December 31, 2019 ("**Year**") has not been completed due to travel and other restrictions arisen in parts of China in response to the outbreak of the COVID-19. Consequently, we are not able to publish an announcement of results in accordance with the relevant requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). With reference to the Joint Statement issued by the Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong Limited (the "**Exchange**") on February 4, 2020, a set of Frequently Asked Questions (FAQ) on February 28, 2020 and Further Guidance on March 16, 2020, we publish this preliminary unaudited annual results which have not been agreed by our independent auditor. A further announcement in relation to the audited results will be made upon the completion of reporting and audit process, and the expected date is at the beginning of May 2020.

Expected qualified opinion for the reporting period

As at the date of this announcement, the Company's auditor has not issued an independent auditor's report on the Group's financial statements for the Year.

The Company's auditor issued a qualified opinion on the independent auditor's report on the Group's consolidated financial statements for the year ended December 31, 2018 pertaining to (i) receivables from, and possible relationship with certain customers and (ii) investment in and advances to an associated company. Accordingly, it is expected that audit opinion on the Group's consolidated financial statements for the Year will also be qualified because of the possible effect of the limitations on the scope of work on the comparability of the related figures in the consolidated financial statements for the year ended December 31, 2018.

The basis for qualified opinion for the year ended December 31, 2018 was set out in the independent auditor's report contained in the Company's 2018 annual report published on April 29, 2019.

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. Our strategically located plants in Guangdong, Henan, Xinjiang, literally in south, middle and north-west of PRC allows us serving our customers at more optimal costs of production in different locations. We 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 ended December 31, 2019. 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 ended December 31, 2019. It was mainly due to (i) a decrease in gross profit contribution arising from the fierce market competition and a decline in sales of electronic parts which is the segment with the highest gross profit margin; (ii) higher finance cost from borrowings associated with the Group's on-going acquisitions and 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; (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.

Prospects

At the beginning of 2020, the challenges arising from the COVID-19 are unprecedented, all our production facilities are disrupted, resulting in one more month delay of resuming production after Chinese New Year holiday. The management will keep monitoring the situation and adjusting our 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 our manufacturing facility at Zengcheng in Guangdong to Nanyang in Henan.

According to document - Suijian(2019)1802 issued by the Guangzhou Municipal Housing and Urban-Rural Development Bureau dated October 22, 2019, and it was further announced on February 26, 2020 by the Guangzhou Municipal Urban Planning and Resources Bureau that the Land Resumption of Zengcheng land has started.

As disclosed in 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.

The management also changes the strategy of our supply chain to melt Aluminium ingots into rods which is one of the principal raw material for our products. A newly established manufacturing facility for producing aluminium rods in Xinjiang also started production on June 4, 2019. With lower electricity charge on our 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 our products of our Group in future.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flow and borrowings. As at December 31, 2019, the interest-bearing borrowings is HK$1,533.9 million denominated in RMB (December 31, 2018: HK$887.5 million denominated in RMB).

Charges on Asset

The total assets of HK$717 million were pledged as security for the Group's borrowings.

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 Company is exposed to currency risk.

Contingent Liabilities

As at December 31, 2019, the Group was not aware of contingent liabilities at this point (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.

OTHER INFORMATION

Directors' Securities Transaction

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

Purchase, Sale or Redemption of the Company's Shares

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

Corporate Governance Practices

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

Further Announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

On behalf of the Board of
PanAsialum Holdings Company Limited
Cheung Wah Keung
Chairman and Independent Non-Executive Director

Hong Kong, March 30, 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.