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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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021**

#### **Financial Highlights**

- Revenue for the year ended December 31, 2021 was approximately HK\$1,855 million, compared with approximately HK\$1,818 million for the year ended December 31, 2020;
- Gross profit for the year ended December 31, 2021 was approximately HK\$151 million, compared with approximately HK\$91 million for the year ended December 31, 2020;
- Loss attributable to owners of the Company for the year ended December 31, 2021 was approximately HK\$341 million, compared with a profit of approximately HK\$921 million, including an one-off gain of HK\$1,742 million and an one-off expense of HK\$213 million from disposal of Zengcheng land for the year ended December 31, 2020; and
- Basic loss per share for the year ended December 31, 2021 of 28.4 HK cents (year ended December 31, 2020: earnings per share 76.8 HK cents).

The board (“**Board**”) of directors (“**Directors**”) of PanAsialum Holdings Company Limited (“**Company**”, together with its subsidiaries, “**Group**”) announces the audited consolidated annual results of the Group for the year ended December 31, 2021 (“**Year**”), together with the comparative figures as below.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended December 31, 2021*

	<i>Notes</i>	<b>Year ended December 31, 2021 HK\$’000</b>	Year ended December 31, 2020 HK\$’000
Revenue	3	<b>1,854,640</b>	1,817,633
Cost of sales		<b>(1,703,669)</b>	(1,726,812)
<b>Gross profit</b>		<b>150,971</b>	90,821
Distribution and selling expenses		<b>(96,083)</b>	(93,170)
Administrative expenses		<b>(230,735)</b>	(218,051)
Impairment loss on trade receivables	6	<b>(150,738)</b>	(13,367)
Other expenses	6	–	(212,810)
Other income	7	<b>29,800</b>	36,808
Other (losses)/gains – net	8	<b>(18,460)</b>	1,748,854
Finance costs – net		<b>(42,818)</b>	(109,845)
<b>(Loss)/profit before income tax</b>		<b>(358,063)</b>	1,229,240
Income tax credit/(expense)	9	<b>17,338</b>	(308,408)
<b>(Loss)/profit for the year</b>		<b>(340,725)</b>	920,832
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
Basic and diluted (HK cents per share)	11	<b>(28.4)</b>	76.8

	<b>Year ended December 31, 2021 HK\$'000</b>	Year ended December 31, 2020 HK\$'000
(Loss)/profit for the year	<b>(340,725)</b>	920,832
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	<b>27,892</b>	57,808
Release of statutory reserves upon deregistration of a subsidiary	<b>(486)</b>	—
Total comprehensive income for the year	<b><u>(313,319)</u></b>	<b><u>978,640</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	<b>December 31,</b> <b>2021</b>	December 31,
<i>Note</i>	<b>HK\$'000</b>	2020 <b>HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>829,812</b>	919,125
Right-of-use assets	<b>333,095</b>	338,087
Investment property	<b>78,860</b>	–
Deferred tax assets	<b>2,540</b>	–
Prepayments for property, plant and equipment	<b>28,864</b>	44,894
	<b>1,273,171</b>	1,302,106
<b>Current assets</b>		
Inventories	<b>201,880</b>	270,740
Trade receivables	<b>380,442</b>	394,867
Prepayments, deposits and other receivables	<b>206,602</b>	2,015,089
Pledged bank deposits	<b>26,478</b>	2,124
Cash and cash equivalents	<b>54,599</b>	26,749
	<b>870,001</b>	2,709,569
<b>Total assets</b>	<b>2,143,172</b>	4,011,675
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	<b>120,000</b>	120,000
Reserves	<b>793,533</b>	1,106,852
<b>Total equity attributable to owners of the Company</b>	<b>913,533</b>	1,226,852

		<b>December 31,</b>	December 31,
		<b>2021</b>	2020
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		3,859	4,241
Borrowings		230,259	87,666
Income tax liabilities		307,223	—
		<u>541,341</u>	<u>91,907</u>
<b>Current liabilities</b>			
Trade payables	5	109,082	147,011
Contract liabilities, other payables and accrued charges		218,242	364,014
Borrowings		256,424	1,747,321
Lease liabilities		9,576	11,595
Deferred income on government grants		18,588	18,532
Income tax liabilities		76,386	404,443
		<u>688,298</u>	<u>2,692,916</u>
<b>Total liabilities</b>		<u><b>1,229,639</b></u>	<u><b>2,784,823</b></u>
<b>Total equity and liabilities</b>		<u><b>2,143,172</b></u>	<u><b>4,011,675</b></u>

# 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 is a subsidiary of Easy Star Holdings Limited, a company incorporated in the British Virgin Islands (the “**BVI**”). In the opinion of the directors, the ultimate holding company of the Company is Genesis Trust & Corporate Services Limited, which is incorporated in the Cayman Islands and is beneficially and wholly-owned by a discretionary trust.

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.

These consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the “**Board**”) on March 28, 2022.

## 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.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Exchange. The consolidated financial statements have been prepared under the historical cost convention, except for investment property which is measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The management has given careful consideration to the going concern status of the Group in light of the fact that the Group (i) incurred a loss of approximately HK\$341 million for the year ended December 31, 2021, (ii) had net cash outflow from operating activities of HK\$287 million for the year ended December 31, 2021 and (iii) had cash and cash equivalents of approximately HK\$55 million against the Group's borrowings amounted to approximately HK\$256 million, which will be due within twelve months after December 31, 2021. These events or conditions may cast significant doubt about the Group's ability to continue as a going concern. For the purpose of assessing the appropriateness of the use of the going concern basis, management has prepared a cash flow projection covering a period from the end of the reporting period to June 30, 2023 ("Cash Flow Projection") after taking the following measures into account:

- i. the Group will implement various measures to improve its profitability. These include, among others, shutting down certain overseas sales offices by relocating their works to other offices; and negotiating with customers to improve the sales terms of the Group;
- ii. subsequent to December 31, 2021, the Group's current bank borrowings amounted to HK\$92 million have been successfully renewed to a repayment date after December 31, 2022 and new facilities amounted to HK\$109 million with maturity after December 31, 2022 have been obtained. This gave a total of unused facilities amounting to HK\$96 million at the date of approval of these consolidated financial statements for issue; and
- iii. the Group has been negotiating with the financial institutions in the People's Republic of China ("PRC") for renewing the remaining existing facilities and obtaining additional facilities. Given the good track records with the relevant financial institutions and the availability of sufficient assets as collaterals, the Directors are of the opinion that the Group will successfully renew the existing interest-bearing borrowings upon expiry and would be able to obtain additional facilities.

Management also performed a sensitivity analysis on certain key parameters such as revenue growth and gross profit margin by considering any possible negative impact on the effectiveness of its measures to improve profitability and the and is satisfied that, based on the Cash Flow Projection, the Group would have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, management considered it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis.

## **2.2 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:

- *Covid-19 Related Rent Concessions beyond 30 June 2021* (Amendment to HKFRS 16)
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16)

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarized below.

*Interest Rate Benchmark Reform – Phase 2 (Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16)*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The adoption of these amendments has no impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

(b) *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the HKICPA that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to HKAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to HKAS 16);
- *Annual Improvements to HKFRS Standards 2018-2020* (Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41); and
- *References to Conceptual Framework* (Amendments to HKFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies* (Amendments to HKAS 1 and HKFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendments to HKAS 8); and
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction* (Amendments to HKAS 12).

The Group does not expect the amendments to have a material impact on the Group's financial statements.



### 3 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of aluminium products. For the year ended December 31, 2020, the executive directors (“ED(s)”) of the Company, being the chief operating decision makers, regularly reviewed revenue analysis by products and by locations. The EDs reassessed the Group’s product segments reporting and decided that for financial reporting purposes, the three segments should be combined as the resource allocation, performance assessment and decision making of these three segments are not considered separately. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the EDs of the Company. Accordingly, no analysis of product segment is presented. Due to the expansion of our business to South East Asia, the geographical areas presented are the PRC (excluding Hong Kong for the purpose of this segmental analysis), Australia, South East Asia, Hong Kong and others.

The tables below present geographical segment information on the revised basis, with prior years represented to conform to the current year presentation. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

	<b>Year ended December 31, 2021 HK\$’000</b>	Year ended December 31, 2020 HK\$’000
<b>Primary geographical markets</b>		
The PRC	<b>687,820</b>	1,018,593
Australia	<b>252,510</b>	216,093
Hong Kong	<b>7,823</b>	98,059
South East Asia	<b>761,707</b>	320,805
Others	<b>144,780</b>	164,083
	<hr/> <b>1,854,640</b> <hr/>	<hr/> 1,817,633 <hr/>
<b>Total</b>		
<b>Major products/Services</b>		
Sales of goods	<b>1,828,022</b>	1,816,501
Processing fees	<b>26,618</b>	1,132
	<hr/> <b>1,854,640</b> <hr/>	<hr/> 1,817,633 <hr/>
<b>Time of revenue recognition</b>		
At a point in time	<b>1,828,022</b>	1,816,501
Transferred over time	<b>26,618</b>	1,132
	<hr/> <b>1,854,640</b> <hr/>	<hr/> 1,817,633 <hr/>

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, 2020 and 2021 consists of the following:

	Year ended December 31, 2021					
	The PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	South East Asia <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales to external customers	687,820	252,510	7,823	761,707	144,780	1,854,640
Cost of sales	(661,957)	(204,508)	(7,797)	(699,421)	(129,986)	(1,703,669)
Gross profit	<u>25,863</u>	<u>48,002</u>	<u>26</u>	<u>62,286</u>	<u>14,794</u>	<u>150,971</u>

  

	Year ended December 31, 2020					
	The PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	South East Asia <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Sales to external customers	1,018,593	216,093	98,059	320,805	164,083	1,817,633
Cost of sales	(1,017,504)	(173,277)	(97,105)	(295,766)	(143,160)	(1,726,812)
Gross profit	<u>1,089</u>	<u>42,816</u>	<u>954</u>	<u>25,039</u>	<u>20,923</u>	<u>90,821</u>

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

	Year ended December 31, 2021 <i>HK\$'000</i>	Year ended December 31, 2020 <i>HK\$'000</i>
South East Asia Customer A	761,698	319,151
PRC Customer A ( <i>Note</i> )	<u>236,784</u>	<u>N/A</u>

*Note:* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended December 31, 2020.

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 deferred tax assets, located in respective geographical locations is as follows:

	<b>December 31, 2021</b>	December 31, 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	<b>1,262,872</b>	1,292,821
Hong Kong	<b>6,142</b>	1,813
Other countries	<b>1,617</b>	7,472
	<u><b>1,270,631</b></u>	<u>1,302,106</u>

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

#### 4 TRADE RECEIVABLES

	<b>December 31, 2021</b>	December 31, 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>559,199</b>	423,874
Less: impairment loss recognized	<b>(178,757)</b>	(29,007)
Trade receivables – net	<u><b>380,442</b></u>	<u>394,867</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 90 days (December 31, 2020: 30 to 90 days). The Group does not hold any collateral as security.

As at December 31, 2021, the ageing analysis of the trade receivables based on due date was as follows:

	<b>December 31, 2021 HK\$'000</b>	December 31, 2020 HK\$'000
Current	<b>315,720</b>	261,306
1 – 30 days	<b>41,189</b>	46,850
31 – 60 days	<b>7,349</b>	18,836
61 – 90 days	<b>2,083</b>	20,353
91 – 180 days	<b>1,968</b>	34,334
181 days – 1 year	<b>12,133</b>	12,470
More than 1 year	<b>–</b>	718
	<b>380,442</b>	394,867

## 5 TRADE PAYABLES

	<b>December 31, 2021 HK\$'000</b>	December 31, 2020 HK\$'000
Trade payables	<b>109,082</b>	147,011

As at December 31, 2021, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	<b>December 31, 2021 HK\$'000</b>	December 31, 2020 HK\$'000
0 – 30 days	<b>65,348</b>	55,291
31 – 60 days	<b>6,709</b>	20,939
61 – 90 days	<b>2,105</b>	10,410
Over 90 days	<b>34,920</b>	60,371
	<b>109,082</b>	147,011

## 6 EXPENSES BY NATURE

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

	Year ended December 31, 2021 <i>HK\$'000</i>	Year ended December 31, 2020 <i>HK\$'000</i>
Auditor's remuneration	2,908	4,987
Cost of inventories recognized as expenses	1,703,669	1,726,812
Loss on disposal of property, plant and equipment	18,882	7,702
Employee benefit expenses	183,694	244,747
Depreciation:		
– Owned property, plant and equipment	97,831	111,814
– Right-of-use assets	19,551	19,737
Write off of trade receivables, net	–	1,104
Effect of lease modification	–	51
Direct operating expenses arising from investment property that generated rental income	–	135
Impairment loss on prepayments for property, plant and equipment	8,131	9,973
Impairment loss on inventories	10,083	3,241
Impairment loss on trade receivables	150,738	13,367
Legal and professional fees	8,356	12,388
Equity settled share-based payments to the consultant of the Group	–	1,354
Other expenses <sup>(i)</sup>	–	212,810
	<u>                    </u>	<u>                    </u>

- (i) During the year ended December 31, 2020, the Group disposed the Land (as defined in Note 8). Other expenses represented one-off expenses incurred during the disposal. Details of these one-off expenses are as follows:

	Year ended December 31, 2020 <i>HK\$'000</i>
Labor redundancy	86,285
Legal and professional fees	60,351
Loss on disposal of property, plant and equipment	48,754
Write off of inventories	17,420
	<u>                    </u>
	<u>                    </u>
	212,810

## 7 OTHER INCOME

	Year ended December 31, 2021 <i>HK\$'000</i>	Year ended December 31, 2020 <i>HK\$'000</i>
Government grants <sup>(i)</sup>	5,331	26,987
Insurance claims	–	1,440
Scrap sales	2,038	6,104
Rental income	1,905	502
Customs refund	19,510	331
Others	1,016	1,444
	<u>29,800</u>	<u>36,808</u>

- (i) For the year ended December 31, 2021, government grants include (i) HK\$590,000 (year ended December 31, 2020: HK\$20,166,000) received by the Group in respect of COVID-19 related subsidies under the employment support scheme provided by the governments of Hong Kong, the PRC, Australia and Macau, and (ii) HK\$4,419,000 (year ended December 31, 2020: HK\$3,393,000) received from several PRC government authorities for the development of intellectual property patent, social security allowance and technical renovation of the Group's equipment. There were no unfulfilled conditions or contingencies related to these grants. The remaining amounts were transferred from deferred income to consolidation statement of comprehensive income during the respective year.

## 8 OTHER (LOSSES)/GAINS – NET

	Year ended December 31, 2021 <i>HK\$'000</i>	Year ended December 31, 2020 <i>HK\$'000</i>
Net exchange (losses)/gains	(9,386)	4,783
Loss on settlement of derivative financial instruments	(1,032)	–
Revaluation loss on property, plant and equipment	(10,058)	–
Gain on deregistration of a subsidiary	2,016	–
Gain on disposal of right-of-use asset <sup>(i)</sup>	–	1,742,159
Gain on disposal of investment property	–	1,912
	<u>(18,460)</u>	<u>1,748,854</u>

- (i) On August 13, 2020, PanAsia Aluminium (China) Limited, a wholly owned subsidiary of the Company established in the PRC, entered into a land disposal agreement with the Planning and Natural Resources Bureau, the Land Reserve Centre and the Local Office of Zengcheng People’s Government (collectively, the “**PRC Government Bodies**”) to disposal the land of Zengcheng (the “**Land**”) by way of a public land auction under the Redevelopment Scheme (the “**Land Disposal**”). The auction was completed on December 28, 2020 and the compensation amount of the Land Disposal was RMB1,572,652,000 (equivalent to approximately HK\$1,778,816,000) and accordingly, gain on disposal of right-of-use asset of HK\$1,742,159,000 was recognized during the year ended December 31, 2020. The gain on disposal of right-of-use asset represents the differences between the compensation amount of HK\$1,778,816,000 and the carrying amount of the Land of HK\$6,061,000 less direct costs attributable to the disposal of the Land of HK\$30,596,000. Details of the transactions were set out in the circular of the Company dated July 29, 2020 and the announcements of the Company dated July 8, 2020, August 14, 2020, November 11, 2020 and January 5, 2021.

## 9 INCOME TAX (CREDIT)/EXPENSE

For the year ended December 31, 2021, no provision for Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong. For the year ended December 31, 2020, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong, except for the subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2019/2020. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Group’s operations in the PRC are subject to the PRC corporate income tax. No provision for PRC corporate income tax has been provided as the Group has no estimated assessable profit for the year ended December 31, 2021 (year ended December 31, 2020: Same). The standard PRC corporate income tax rate was 25% for the year ended December 31, 2021 (year ended December 31, 2020: Same).

	<b>Year ended December 31, 2021 HK\$’000</b>	Year ended December 31, 2020 HK\$’000
Hong Kong profits tax		
– current year	–	78
– under-provisions in respect of prior years	–	10,499
Overseas taxation		
– current year	–	297,831
– over-provision in respect of prior years	<b>(14,823)</b>	–
Deferred tax	<b>(2,515)</b>	–
	<b>(17,338)</b>	<b>308,408</b>

## 10 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2021 (year ended December 31, 2020: Nil).

## 11 (LOSS)/EARNINGS PER SHARE

### Basic

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

	<b>Year ended December 31, 2021</b>	Year ended December 31, 2020
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u><b>(340,725)</b></u>	<u>920,832</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	<u><b>1,199,405</b></u>	<u>1,199,405</u>

### Diluted

For the years ended December 31, 2021 and 2020, the computation of diluted (loss)/earnings per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

#### Business and Financial Overview

PanAsialum Holdings Company Limited is an aluminium products manufacturer with 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.

#### Revenue

The following tables set out information about the geographical location of the Group's revenue from external customers:

	Year ended December 31, 2021					
	The PRC	Australia	Hong Kong	South East Asia	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to external customers	687,820	252,510	7,823	761,707	144,780	1,854,640
Cost of sales	(661,957)	(204,508)	(7,797)	(699,421)	(129,986)	(1,703,669)
Gross profit	<u>25,863</u>	<u>48,002</u>	<u>26</u>	<u>62,286</u>	<u>14,794</u>	<u>150,971</u>

  

	Year ended December 31, 2020					
	The PRC	Australia	Hong Kong	South East Asia	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales to external customers	1,018,593	216,093	98,059	320,805	164,083	1,817,633
Cost of sales	(1,017,504)	(173,277)	(97,105)	(295,766)	(143,160)	(1,726,812)
Gross profit	<u>1,089</u>	<u>42,816</u>	<u>954</u>	<u>25,039</u>	<u>20,923</u>	<u>90,821</u>

The increase in overall revenue for the Year was mainly attributable to the continued increasing sales in the South East Asia market and an increase in sales in Australia offsetting the decrease of revenue in the PRC. The increase in revenue in Australia were attributable to the recovery effect post the outbreak of COVID-19 during the Year. The decrease in revenue in the PRC was principally attributable to the elimination of low profit margin customers.

**Cost of sales**

The cost of sales decreased by 1.3% from HK\$1,727 million for the year ended December 31, 2020 to HK\$1,704 million for the Year.

**Gross profit**

Gross profit increased by 65.9% from HK\$91 million for the year ended December 31, 2020 to HK\$151 million for the Year, and the increase in gross profit margin from 5.0% for the year ended December 31, 2020 to 8.1% for the Year was due to (i) an increase in sales turnover for the Year; and (ii) measures taken to reduce cost.

**Distribution and selling expenses**

Distribution and selling expenses increased from HK\$93 million for the year ended December 31, 2020 to HK\$96 million for the Year. It consisted of mainly transportation expenses and staff related expenses which were in line with the increase in sales.

**Administrative expenses**

Administrative expenses increased from HK\$218 million for the year ended December 31, 2020 to HK\$231 million for the Year. It was mainly due to the effect of loss on disposal of property, plant and equipment amounted to HK\$19 million.

**Other Income**

Other income comprised government grant income of HK\$5.3 million and HK\$19.5 million customs refund for the Year.

**Other (losses)/gains – net**

Other gains was HK\$1,749 million for the year ended December 31, 2020 while other losses was HK\$18.5 million for the Year. The other gains for the year ended December 31, 2020 included gain on disposal of the land of Zengcheng while the other losses for the Year was mainly due to the effect of the depreciation of Australian Dollar (“AUD”) against Hong Kong Dollar (“HKD”) during the Year.

**Finance Income**

Finance income mainly comprised interest income which amounted to approximately HK\$1 million for the Year compared to HK\$1 million for the year ended December 31, 2020.

**Finance Costs**

Finance costs amounted to approximately HK\$44 million for the Year compared to HK\$111 million for the year ended December 31, 2020. The decrease is due to repayment of loan during the Year.

### **Impairment loss on trade receivables**

Impairment loss on trade receivables for the Year amounted to HK\$151 million is mainly due to the Group recognizes loss allowances for expected credit loss on trade receivables. The amount is measured in consideration of possible default events and exposure to credit risk on trade receivables.

### **Income Tax Expenses**

The income tax changed from income tax expenses of HK\$308 million for the year ended December 31, 2020 to income tax credit of HK\$17.3 million for the Year which was mainly due to over provision of tax of China in prior year.

### **Prospects**

Despite both global economy and business environment are still under uncertainties over COVID-19 pandemic and tensions between mainland China and several major economies, the Group remains committed to creating value for shareholders and to streamline its businesses to focus on its core competency. In the medium to longer term, the management has great confidence in the future of our Group.

The land in Zengcheng had already been officially transferred to the Local Office of Zengcheng People's Government pursuant to the land disposal agreement. The auction of the land took place on December 25, 2020. The compensation amount of the land disposal was RMB1.57 billion, RMB1.53 billion of which had been fully received in the first quarter of 2021. The board of the Company (“**Board**”) is of the view that the Group's financial position is significantly strengthened and the proceeds provide the Group with additional working capital for its future business development.

The Group remains to be engaged in our expansion plans, including the proposed establishment of a new production base in Heshan Industrial City for manufacturing and production of high performance and high precision aluminium products, such as high-end aluminium alloys and moulds, hardware parts, heatsinks and other electronic parts mainly, to fulfill the needs of the China and overseas market.

Meanwhile the Group has made further progress in streamlining its non-core businesses, such as discontinuing the production lines in Xinjiang. The Group aimed to geographically expand its production capacity and distribution network as and when suitable opportunities arise.

### **Significant Investment, Material Acquisition and Disposal**

The Group did not have any other significant investment, material acquisition and disposal during the Year.

## Liquidity and Financial Resources

The Group mainly used its borrowings and internally generated cashflow for its capital expenditure and working capital. As at December 31, 2021, the Group had HK\$55 million cash and cash equivalents (December 31, 2020: HK\$27 million), HK\$26 million pledged bank deposits (December 31, 2020: HK\$2 million) and interest-bearing borrowings of HK\$487 million denominated in RMB (December 31, 2020: HK\$1,835 million denominated in RMB).

## Charges on Asset

HK\$196 million (December 31, 2020: HK\$323 million) of land use rights, HK\$nil million (December 31, 2020: HK\$30 million) of buildings, HK\$73 million (December 31, 2020: HK\$91 million) of plant and machinery, HK\$22 million (December 31, 2020: HK\$1,898 million) of trade receivables, HK\$nil million (December 31, 2020: HK\$241 million) of inventories and HK\$24 million (December 31, 2020: HK\$nil million) of bank deposits of the Group were pledged as security for the Group's borrowings.

## SUMMARY OF KEY FINANCIAL RATIOS

	<b>Year ended December 31, 2021</b>	Year ended December 31, 2020
Gross Profit Margin <sup>(1)</sup>	<b>8.1%</b>	5.0%
Return on Equity <sup>(2)</sup>	<b>-37.3%</b>	75.1%
Interest Coverage Ratio <sup>(3)</sup>	<b>-7.11</b>	12.08
	<b>As at December 31, 2021</b>	As at December 31, 2020
Current Ratio <sup>(4)</sup>	<b>1.26</b>	1.01
Quick Ratio <sup>(5)</sup>	<b>0.97</b>	0.91
Gearing Ratio <sup>(6)</sup>	<b>53.3%</b>	149.9%
Debt to Equity Ratio <sup>(7)</sup>	<b>47.3%</b>	147.7%

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

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

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

- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on total borrowings divided by total equity multiplied by 100%.
- (7) The calculation of Debt to Equity Ratio is based on total borrowings less cash and cash equivalents divided by total equity multiplied by 100%.

## **CAPITAL STRUCTURE**

As at December 31, 2021 and December 31, 2020, 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 (“USD”) and RMB from the sales to major customers during the Year, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

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

## **CAPITAL COMMITMENTS**

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2021 amounted to approximately HK\$253 million (December 31, 2020: approximately HK\$253 million), which was mainly related to the acquisition of machineries and establishing a new production base in the PRC.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Except the future plans as disclosed in the paragraph headed “Prospects”, the Group had no other future plans for material investments or capital assets as at December 31, 2021.

## **CONTINGENT LIABILITIES**

As at December 31, 2021, the Group had no contingent liabilities (December 31, 2020: Nil).

## **EMPLOYEE INFORMATION AND REMUNERATION POLICIES**

As at December 31, 2021, the Group employed approximately 1,600 staff (December 31, 2020: 2,200). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Year, the Group incurred staff costs (including Directors' emoluments) of HK\$184 million (year ended December 31, 2020: HK\$245 million).

## **OTHER INFORMATION**

### **Directors' Securities Transaction**

The Company has adopted Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Exchange**") ("**Listing Rules**") as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Year.

### **Purchase, Sale or Redemption of the Company's Shares**

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

### **Corporate Governance Practices**

The Board, with the best information available, confirmed that the Company had complied with the Code on Corporate Governance Practice set out in Appendix 14 of the Listing Rules.

On January 1, 2022, the amendments to the CG Code (the "**New CG Code**") came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after January 1, 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

### **Audit Committee**

The Company has an 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 of the Company ("**Audit Committee**") comprises three members who are the independent non-executive Directors, namely Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.

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

### **Publication of Annual Report**

This annual results announcement is published on the websites of the Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.palum.com>). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

By order of the Board  
**PanAsialum Holdings Company Limited**  
**Cheung Wah Keung**  
*Independent Non-executive Chairman  
and Independent Non-executive Director*

Hong Kong, March 28, 2022

*As at the date of this announcement, the executive director of the Company is Mr. Pan Zhaolong; and the independent non-executive directors of the Company are Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.*