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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, 2022

Financial Highlights

- Revenue for the six months ended June 30, 2022 was HK\$982.0 million, a decrease of 1.1% compared with HK\$992.8 million the corresponding period in year 2021;
- Gross profit for the six months ended June 30, 2022 was HK\$135.6 million, an increase of 87.8% as compared with HK\$72.2 million for the corresponding period in year 2021;
- Gross profit margin for the six months ended June 30, 2022 was 13.8%, an increase of 89.0% as compared with 7.3% for the corresponding period in year 2021;
- Profit attributable to owners of the Company for the six months ended June 30, 2022 was HK\$0.4 million, compared with a loss HK\$85.4 million for the corresponding period in year 2021; and
- Basic profit per share for the six months ended June 30, 2022 of 0.04 HK cents (six months ended June 30, 2021: (7.1) HK cents).

The board (“**Board**”) of directors (“**Directors**”) of PanAsialum Holdings Company Limited (“**Company**”, together with its subsidiaries, “**Group**”) announces the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		Unaudited June 30, 2022 HK\$'000	Audited December 31, 2021 HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	7	763,180	829,812
Investment properties		75,245	78,860
Deferred tax assets		2,424	2,540
Right-of-use assets		311,220	333,095
Prepayments for property, plant and equipment		23,533	28,864
		1,175,602	1,273,171
Current assets			
Inventories		119,559	201,880
Trade receivables	8	401,581	380,442
Prepayments, deposits and other receivables		199,652	206,602
Derivative financial instruments		8,341	–
Pledged bank deposits		58,329	26,478
Cash and cash equivalents		133,217	54,599
		920,679	870,001
Total assets		2,096,281	2,143,172
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	9	120,000	120,000
Reserves		741,457	793,533
Total equity attributable to owners of the Company		861,457	913,533

		Unaudited	Audited
		June 30,	December 31,
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,972	3,859
Borrowings	<i>10</i>	222,044	230,259
Tax liabilities		297,230	307,223
		<u>522,246</u>	<u>541,341</u>
Current liabilities			
Trade payables	<i>11</i>	114,419	109,082
Contract liabilities, other payables and accrued charges		205,781	218,242
Borrowings	<i>10</i>	299,807	256,424
Lease liabilities		6,209	9,576
Deferred income on government grants		17,540	18,588
Current income tax liabilities		68,822	76,386
		<u>712,578</u>	<u>688,298</u>
Total liabilities		<u>1,234,824</u>	<u>1,229,639</u>
Total equity and liabilities		<u>2,096,281</u>	<u>2,143,172</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended June 30, 2022

	<i>Notes</i>	Unaudited six months ended June 30, 2022 HK\$'000	Unaudited six months ended June 30, 2021 HK\$'000
Revenue	6	981,971	992,800
Cost of sales	6	(846,390)	(920,613)
Gross profit		135,581	72,187
Distribution and selling expenses		(35,265)	(41,923)
Administrative expenses		(98,708)	(111,353)
Other income		21,515	27,447
Other losses – net	13	(11,256)	(3,925)
Finance costs – net	14	(11,441)	(27,209)
Profit/(loss) before income tax		426	(84,776)
Income tax expense	15	–	(617)
Profit/(loss) for the Period		426	(85,393)
Profit/(loss) per share for profit/(loss) attributable to the owners of the Company (Basic and diluted HK cents per share)	17	0.04	(7.1)
Profit/(loss) for the Period		426	(85,393)
Other comprehensive income: Item that may be reclassified subsequently to profit or loss: Currency translation differences		(52,502)	12,234
Total comprehensive income for the Period		(52,076)	(73,159)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

PanAsialum Holdings Company Limited (“**Company**”) and its subsidiaries (together, the “**Group**” or “**PanAsialum**”) 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 since February 5, 2013.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**” or “**HKD**”), unless otherwise stated. This condensed consolidated interim financial information has been reviewed by the Audit Committee but not audited, and it was approved for issue by the board of Directors (“**Board**”) on August 26, 2022.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended June 30, 2022 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, 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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, 2021, as described in those annual consolidated financial statements.

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The adoption of these new or amendments to HKFRSs does not have any significant financial effect on the Group’s condensed consolidated interim financial statements.

The Group has not adopted new or amendments to HKFRSs that have been issued but are not yet effective in advance. The directors anticipate that the adoption of these new or amendments to HKFRSs will have no material impact on the results and financial position of the Group.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group is not exposed to material equity price risk. There have been no changes in any risk management policies since the last year end.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

4.2 Liquidity risk

Compared to the last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 Commodity price risk on aluminium

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. Any change in prices of aluminium could affect the Group's financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

The Group recognised a total loss on derivative financial instruments of approximately HK\$10.7 million during the period ended June 30, 2022 (2021: HK\$nil). As at June 30, 2022, the Group held future contracts which has matured in July 2022 (2021: nil). Management considers the fluctuation on the commodity price of aluminium does not have a significant impact on the Group's earnings and cash flows in the long run.

The outstanding balances of future contracts entered as at June 30, 2022 are approximately HK\$8.3 million.

4.4 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short maturity.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim condensed consolidated financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended December 31, 2021.

6 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of aluminium products which are operating in four geographical areas, namely the PRC, Australia, South East Asia and others.

The segment information has been identified on the basis of internal management reports prepared for the purpose of resource allocation, performance assessment and decision making and is regularly reviewed by the executive directors (“ED(s)”) of the Company.

The tables below present geographical segment information.

	Unaudited six months ended June 30, 2022				
	South				Total
	The PRC HK\$'000	Australia HK\$'000	East Asia HK\$'000	Others HK\$'000	HK\$'000
Sales to external customers	438,845	77,124	413,071	52,931	981,971
Cost of sales	(336,555)	(59,800)	(405,787)	(44,248)	(846,390)
Gross profit	<u>102,290</u>	<u>17,324</u>	<u>7,284</u>	<u>8,683</u>	<u>135,581</u>

	Unaudited six months ended June 30, 2021				
	South				Total
	The PRC HK\$'000	Australia HK\$'000	East Asia HK\$'000	Others HK\$'000	HK\$'000
Sales to external customers	452,540	136,943	334,616	68,701	992,800
Cost of sales	(433,517)	(107,673)	(321,689)	(57,734)	(920,613)
Gross profit	<u>19,023</u>	<u>29,270</u>	<u>12,927</u>	<u>10,967</u>	<u>72,187</u>

7 PROPERTY, PLANT AND EQUIPMENT

	Unaudited six months ended June 30, 2022 HK\$'000	Audited year ended December 31, 2021 HK\$'000
Opening net book amount	829,812	919,125
Exchange differences	(36,862)	21,205
Additions	12,531	108,590
Transfer to investment properties	–	(73,938)
Revaluation loss	–	(10,058)
Deregistration of a subsidiary	–	(336)
Disposals	(1,878)	(36,945)
Depreciation (Note 12)	<u>(40,423)</u>	<u>(97,831)</u>
Closing net book amount	<u>763,180</u>	<u>829,812</u>

8 TRADE RECEIVABLES

	Unaudited June 30, 2022 HK\$'000	Audited December 31, 2021 HK\$'000
Trade receivables	577,948	559,199
Less: impairment loss recognised	(176,367)	(178,757)
	<u>401,581</u>	<u>380,442</u>
Trade receivables – net	<u>401,581</u>	<u>380,442</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 (2021: 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, 2022 HK\$'000	Audited December 31, 2021 HK\$'000
Current	325,577	315,720
1 – 30 days	59,153	41,187
31 – 60 days	3,742	7,348
61 – 90 days	7,989	2,081
91 – 180 days	4,151	1,967
181 days – 1 year	969	12,139
	<u>401,581</u>	<u>380,442</u>
	<u>401,581</u>	<u>380,442</u>

As at June 30, 2022, receivables of HK\$325,577,000 were neither past due nor impaired (as at December 31, 2021: HK\$315,720,000). 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\$36,860,000 to financial institution in exchange for cash as at June 30, 2022 (as at December 31, 2021: HK\$22,061,000). The transactions have been accounted for as collateralized borrowings (Note 10).

As at June 30, 2022, all trade receivables were non-interest bearing (as at December 31, 2021: Same).

9 SHARE CAPITAL

	Unaudited June 30, 2022		Audited December 31, 2021	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorized:				
Ordinary shares of HK\$0.10 each	<u>2,400,000,000</u>	<u>240,000</u>	<u>2,400,000,000</u>	<u>240,000</u>
Issued and fully paid:	<u>1,200,000,000</u>	<u>120,000</u>	<u>1,200,000,000</u>	<u>120,000</u>

10 BORROWINGS

	Unaudited June 30, 2022 <i>HK\$'000</i>	Audited December 31, 2021 <i>HK\$'000</i>
Current		
Collateralized borrowings of a financial institution (<i>Note 8</i>)	44,068	18,816
Other loans	255,739	237,608
	<u>299,807</u>	<u>256,424</u>
Non-current		
Other loans	222,044	230,259
	<u>222,044</u>	<u>230,259</u>
Total	<u>521,851</u>	<u>486,683</u>

As at June 30, 2022, the effective interest rate of the interest-bearing borrowings was 4.51% per annum (as at December 31, 2021: 4.18% per annum). The Group's bank borrowings carry interest at floating rates and their carrying amounts approximate their fair values.

As at June 30, 2022, the Group's facilities were secured by the following:

- (i) guarantees of the Company and certain subsidiaries (December 31, 2021: Same);
- (ii) guarantees of a former executive director of the Company (December 31, 2021: Same);
- (iii) guarantees of a director of the Company and a PRC subsidiary (December 31, 2021: certain directors of the Company and a PRC subsidiary);
- (iv) guarantee of a state-owned enterprise of the PRC (December 31, 2021: Same);
- (v) pledge of the Group's certain trade receivables (December 31, 2021: Same);
- (vi) pledge of the Group's certain property, plant and equipment and right-of-use assets (December 31, 2021: Same);
- (vii) pledge of the Group's certain bank deposits (December 31, 2021: Same); and
- (viii) pledge of share capital of a subsidiary (December 31, 2021: Same).

11 TRADE AND BILLS PAYABLES

As at June 30, 2022 and December 31, 2021, the ageing analysis of the Group's trade and bills payables based on invoice date was as follows:

	Unaudited June 30, 2022 HK\$'000	Audited December 31, 2021 HK\$'000
0 – 30 days	59,058	65,348
31 – 60 days	19,277	6,709
61 – 90 days	3,348	2,105
Over 90 days	32,736	34,920
	114,419	109,082

12 EXPENSES BY NATURE

	Unaudited six months ended June 30, 2022 HK\$'000	Unaudited six months ended June 30, 2021 HK\$'000
Operating profit/(loss) is stated after charging/(crediting) the following:		
Auditor's remuneration		
– current period	1,400	1,500
– prior period over provision	–	(200)
Cost of inventories recognised as expenses	846,390	920,613
Employee benefit expenses (include wages and salaries)	66,467	100,415
Depreciation of property, plant and equipment (<i>Note 7</i>)	40,423	49,392
Depreciation of right-of-use assets	9,629	9,170
(Reversal of impairment loss)/ impairment loss on trade receivables	(733)	761
Impairment loss on inventories	6,691	7,495

13 OTHER LOSSES – NET

	Unaudited six months ended June 30, 2022 HK\$'000	Unaudited six months ended June 30, 2021 HK\$'000
Net exchange losses	(565)	(3,925)
Loss on derivative financial instruments – aluminium future contracts	<u>(10,691)</u>	<u>–</u>
	<u>(11,256)</u>	<u>(3,925)</u>

14 FINANCE INCOME AND COSTS

	Unaudited six months ended June 30, 2022 HK\$'000	Unaudited six months ended June 30, 2021 HK\$'000
Interest income:		
Interest income on bank deposits	<u>323</u>	<u>1,046</u>
Finance income	<u>323</u>	<u>1,046</u>
Interest expenses:		
Interest expense on lease liabilities	(388)	(464)
Interest expense on borrowings	<u>(11,376)</u>	<u>(27,791)</u>
Finance costs	<u>(11,764)</u>	<u>(28,255)</u>
Finance costs – net	<u>(11,441)</u>	<u>(27,209)</u>

15 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 during the six months ended June 30, 2022 (2021: 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, 2022 (2021: same).

	Unaudited six months ended June 30, 2022 HK\$'000	Unaudited six months ended June 30, 2021 HK\$'000
Hong Kong profits tax		
– current period	–	–
Overseas taxation		
– under provision in prior year	–	(617)
	<u>–</u>	<u>(617)</u>
	<u>–</u>	<u>(617)</u>

16 DIVIDENDS

No dividend has been declared by the Company for the six months ended June 30, 2022 and 2021.

17 PROFIT/(LOSS) PER SHARE

Basic

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

	Unaudited six months ended June 30, 2022	Unaudited six months ended June 30, 2021
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>426</u>	<u>(85,393)</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	<u>1,199,405</u>	<u>1,199,405</u>
Basic profit/(loss) per share (HK cents)	<u>0.04</u>	<u>(7.1)</u>

Diluted

For the six months ended June 30, 2022 and 2021, the computation of diluted profit/(loss) per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive.

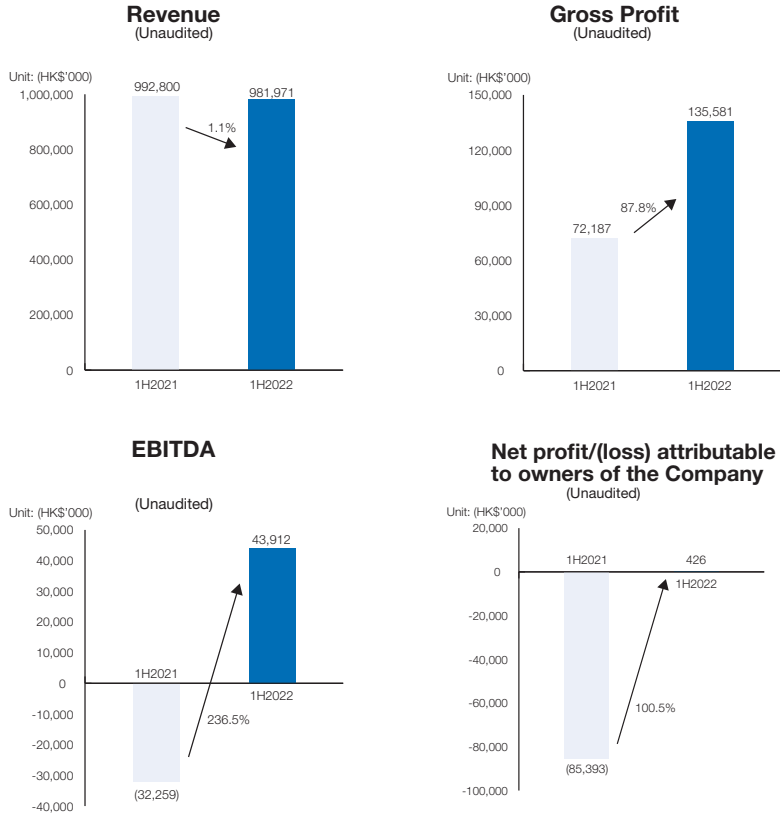
MANAGEMENT DISCUSSION AND ANALYSIS

PanAsialum Holdings Company Limited (“**Company**”) and its subsidiaries (collectively, “**Group**”) is an aluminium products manufacturer and trader 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.

Performance Overview

In the first half of 2022, the Group has been actively seizing market opportunities and developed the Solar Panels, Consumer Electronics and Electric Vehicles markets, resulting in an increase in the respective products’ sales. On the other hand, the Group has been continuously refining its operational organisation to enhance the technological innovation, quality of current manufacturing operations and product quality, as well as the sustainability of profits.

The Group’s unaudited revenue, gross profit, EBITDA, net profit/(loss) to owners of the Company for the six months ended June 30, 2022 and for the same period of 2021 together with comparison figures are as follows:



For the six months ended June 30, 2022 (“**Period**”), the overall sales volume of the Group was approximately 24,662 tonnes, representing a year-on-year decrease of 5.7% compared with that for the corresponding period last year. The Group recorded revenue of approximately HK\$982.0 million for the Period, representing a slight decrease of approximately 1.1% as compared to the six months ended June 30, 2021 (“**2021 Period**”). Due to the Group’s continuous effective management of costs and optimisation of product mix, the gross profit margin of the Group increased to 13.8% for the Period (2021 Period: 7.3%). The profit attributable to owners of the Company amounted to approximately HK\$0.4 million for the Period, representing a significant increase of 100.5% as compared to the net loss for the 2021 Period.

Revenue

The following table shows the breakdown of revenue by products for the Period and for the same period of 2021:

	For the six months ended June 30,			
	2022		2021	
	Revenue	Proportion	Revenue	Proportion
	HK\$’000	of sales to	HK\$’000	of sales to
		total sales		total sales
		%		%
Solar Panels	413,071	42.1	334,616	33.7
Consumer Electronics	262,702	26.8	164,028	16.5
Industrial Products	258,855	26.3	481,806	48.6
Electric Vehicles	47,343	4.8	12,350	1.2
Total	<u>981,971</u>	<u>100.0</u>	<u>992,800</u>	<u>100.0</u>

The Group’s revenue derived from Solar Panels and Consumer Electronics products for the Period was approximately HK\$413.1 million and HK\$262.7 million respectively, accounting for approximately 42.1% and 26.8% of the total revenue and representing an increase of approximately 23.4% and 60.2% as compared with the 2021 Period, which was mainly contributed by the continuous high market demand and support of the relevant government policies. The Group’s revenue derived from industrial products amounted to approximately HK\$258.9 million, representing a decrease of approximately 46.3% from that of approximately HK\$481.8 million for the 2021 Period. The decrease in such revenue was mainly due to the shrink in our domestic market and overseas markets such as Australia and United Kingdom, resulting from effects such as COVID-19 pandemic, decline in market demand and other factors during the Period.

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

	Unaudited				
	six months ended June 30, 2022				
	South				Total HK\$'000
The PRC HK\$'000	Australia HK\$'000	East Asia HK\$'000	Others HK\$'000		
Sales to external customers	438,845	77,124	413,071	52,931	981,971
Cost of sales	(336,555)	(59,800)	(405,787)	(44,248)	(846,390)
Gross profit	<u>102,290</u>	<u>17,324</u>	<u>7,284</u>	<u>8,683</u>	<u>135,581</u>

	Unaudited				
	six months ended June 30, 2021				
	South				Total HK\$'000
The PRC HK\$'000	Australia HK\$'000	East Asia HK\$'000	Others HK\$'000		
Sales to external customers	452,540	136,943	334,616	68,701	992,800
Cost of sales	(433,517)	(107,673)	(321,689)	(57,734)	(920,613)
Gross profit	<u>19,023</u>	<u>29,270</u>	<u>12,927</u>	<u>10,967</u>	<u>72,187</u>

The increase in overall revenue during the Period was mainly attributable to the continued increasing sales in the South East Asia market offsetting the drop of revenue in Australia, the PRC and United Kingdom during the Period.

Cost of sales

With the decrease in sales, cost of sales shrank by 8.1% from approximately HK\$920.6 million for the 2021 Period to approximately HK\$846.4 million for the Period was mainly due to the Company's continuous implementation of effective stringent cost control measures.

Gross profit and gross profit margin

During the Period, the Group's gross profit amounted to HK\$135.6 million (the 2021 Period: approximately HK\$72.2 million) and the overall gross profit margin amounted to 13.8% (the 2021 Period: 7.3%). The increase of the Group's overall gross profit margin was primarily due to the continuous effective management of costs and optimisation of product mix.

Distribution and selling expenses

Distribution and selling expenses decreased to approximately HK\$35.3 million for the Period from approximately HK\$41.9 million for the 2021 Period, which was primarily due to decrease in transportation costs, and salaries and benefit expenses. A drop in transportation costs was resulted by an increase in the proportion of sales with less transportation costs; and decrease in sales. The decrease in salaries and benefit expenses was primarily due to a decrease in number of staff during the Period.

Administrative expenses

Administrative expenses mainly comprise research and development costs, salaries and benefit expenses, government levies, depreciation charges, impairment of inventories and amortisation of land use right. Administrative expenses decreased to approximately HK\$98.7 million for the Period from approximately HK\$111.4 million for the 2021 Period, which was primarily due to a decrease in salaries and benefit expenses of the Group for the Period as compared with those for the 2021 Period.

Other losses – net

Other losses increased from approximately HK\$3.9 million for the 2021 Period to approximately HK\$11.3 million for the Period. The loss was mainly due to the loss on derivative financial instruments – aluminium future contracts of approximately HK\$10.7 million, offset by the decrease in net exchange losses by approximately HK\$3.3 million during the Period.

During the Period, the Group entered into aluminum future contracts in order to manage its exposure to the price risk of aluminium. The loss on derivative financial instruments – aluminium future contracts represented the unrealised holding loss on the future contracts at the end of the Period.

Finance income

Finance income decreased from approximately HK\$1.0 million for the 2021 Period to approximately HK\$0.3 million for the Period. It mainly comprised of interest income.

Finance costs

Finance costs amounted to approximately HK\$11.7 million for the Period compared to approximately HK\$28.3 million for 2021 Period. The decrease in finance costs was due to the replacement of bank loans with higher interest rate during the Period, resulting in a decrease in the effective interest rate of the interest bearing borrowing as compared with the 2021 Period.

Income tax expenses

Income tax expenses mainly represented amounts of current tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong and the PRC. During the Period, no provision for Profits tax in Hong Kong and the PRC was made since the Group has sufficient tax losses brought forward to set off against assessable profits for the Period.

Income tax expenses of approximately HK\$0.6 million was mainly incurred in the PRC for the 2021 Period.

Prospect

Looking ahead, we expect the market environment to remain complicated, challenging and volatile, with expected fluctuation in raw material prices and continuous pressure on the sales performance and profitability of the Group in 2022 under the influence of surging inflation, intensified market competition, global shortage of chip supply, and rising interest rates.

Despite these significant headwinds, we remain confident that the Group is well-placed with a range of advantageous development opportunities for growth in various sectors, especially the Green Energy and Electric Vehicles sectors, supported by market trends and relevant government policies. In order to capture the growth in these sectors and to maintain the competitive strengths of PanAsialum, the Group will devote to strengthen its sales channels, and enhance the cooperation and services with quality customers and sourcing units. On the other hand, the Group will stay true at our original intention, maintain our competitive edges and diversified product portfolio with a strong focus on high-value-added products.

The Group will keep focusing on the rationalisation of our manufacturing platforms, including the on-going investment in a new production base in Heshan Industrial City (“**Heshan Production Base**”) for manufacturing and production of high performance and high precision aluminium products. The progress of the Heshan Production Base is temporarily delayed due to a litigation claim (“**Heshan Claim**”) in respect of its construction works. Please refer to the paragraph headed “Event After Reporting Period” for the latest status of the Heshan Claim.

Besides, the Group will continue to fulfill its social responsibilities as a responsible corporate citizen. The Group will be taking steps to actively respond to the national “dual carbon” strategic objectives by taking the initiatives to fulfill its carbon reduction responsibilities, improving its energy efficiency, and implementing dual carbon works in an orderly manner. We are committed to becoming one of the leading enterprises in China’s carbon neutralisation.

Going forward, in view of the increasing market and business uncertainties, the Group will put stability as primary consideration, control operation risks stringently, focus on internal management reform and technology upgrade. On the other hand, the Group will continue to enhance its products portfolio, aiming at increasing the sales and improving overall profitability of the Group in the long run.

Liquidity and Financial Resources

The Group principally finances its operations through internally generated cash flow and borrowings. As at June 30, 2022, the Group had approximately HK\$133.2 million cash and cash equivalents (as at December 31, 2021: approximately HK\$54.6 million), approximately HK\$58.3 million pledged bank deposits (as at December 31, 2021: approximately HK\$26.5 million) and interest-bearing borrowings of approximately HK\$521.9 million denominated in Renminbi (“**RMB**”) (as at December 31, 2021: approximately HK\$486.7 million denominated in RMB).

Charges on Asset

As at June 30, 2022, approximately HK\$233.4 million (as at December 31, 2021: approximately HK\$196.4 million) of land use rights, approximately HK\$94.3 million (as at December 31, 2021: HK\$nil) of buildings, approximately HK\$60.6 million (as at December 31, 2021: approximately HK\$72.8 million) of plant and machinery, approximately HK\$36.9 million (as at December 31, 2021: approximately HK\$22.1 million) of trade and other receivables and approximately HK\$58.3 million (December 31, 2021: approximately HK\$24.5 million) of bank deposits of the Group were pledged as security for the Group’s bank borrowings.

Capital Structure

As at June 30, 2022 and December 31, 2021, 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. Any change in prices of aluminium could affect the Group’s financial performance. The Group has entered into future contracts traded on the Shanghai Futures Exchange in order to mitigate the risk arising from fluctuation in aluminium price.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at June 30, 2022 amounted to approximately HK\$240.9 million (as at December 31, 2021: approximately HK\$253.0 million), which was mainly related to the acquisition of machineries and establishing a new production base in the PRC.

Contingent Liabilities

As at June 30, 2022, the Group had no contingent liabilities (as at December 31, 2021: Nil).

Significant Investment, Material Acquisition and Disposal

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

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph headed “Prospect”, the Group had no other future plans for material investments or capital assets as at June 30, 2022.

Employee Information and Remuneration Policies

As at June 30, 2022, the Group employed approximately 1,050 staff (as at December 31, 2021: 1,600). 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 development opportunities according to their needs. During the Period, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$66.5 million (2021 Period: approximately HK\$100.4 million).

Event After Reporting Period

On August 15, 2021, the Group has initiated a litigation claim (“**Litigation**”) against Guoheng Construction Group Co., Ltd. (國恒建設集團有限公司) as defendant for illegitimate sub-contracting, quality defects, etc. in respect of the construction works at Heshan Industrial City. On February 14, 2022, the Group received a writ of summon issued by Intermediate People’s Court of Jiangmen (廣東省江門市中級人民法院) and a court of proceeding was delayed to May 5, 2022. On June 20, 2022, the Group received the first-instance judgement from the intermediate People’s Court of Jiangmen. The Group and its legal counsel were dissatisfied with the facts finding and the result of the first-instance judgement, and applied for an appeal to the higher People’s Court of Guangdong Province on July 5, 2022. As at the date of this announcement, the appeal case is still at the preliminary stage. In view of the fact that the first-instance judgement has not yet come into effect and considering the current litigation progress, the Group believes that the outcome of the appeal case is still significantly uncertain, and therefore, the Group is not in the position to assess possible impact on the Group’s financial position.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2022 and up to the date of this announcement.

OTHER INFORMATION

INTERIM DIVIDEND

At the meeting of the Board held on August 26, 2022, the Board did not declare an interim dividend for the Period.

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 ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Exchange ("**Listing Rules**") throughout the Period with the exception of the following deviation:

Code Provision C.2.1

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Since July 1, 2022, the chairman and chief executive officer of the Company are performed by same individual, Mr. Pan Zhaolong. The Board would meet regularly to consider major matters affecting the operations of the Company. It is considered that this structure would not impair the balance of power and authority between the Directors and the management of the Company and believe that the current structure would enable the Group to make and implement decisions promptly and efficiently. However, going forward, the Board will review from time to time the need to separate the roles of the chairman and the chief executive officer if the situation warrants it.

CHANGES OF DIRECTORS' INFORMATION

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

Dr. Cheung Wah Keung, the independent non-executive Director, has been appointed as a member of the Nomination Committee and ceased as the authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from May 18, 2022. He also ceased to be the Independent Non-executive Chairman with effect from July 1, 2022.

Mr. Pan Zhaolong, the executive Director and chief executive officer of the Company, has been appointed as the Chairman with effect from July 1, 2022.

Except as set out hereof, 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 Companies (“**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.

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 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 of the Company have reviewed the accounting principles and practices adopted by the Group, as well as the unaudited consolidated interim financial statements for the Period 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.

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 Period 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.

On behalf of the Board of
PanAsialum Holdings Company Limited
Pan Zhaolong
Chairman and Executive Director

Hong Kong, August 26, 2022

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