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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, 2022**

#### **Financial Highlights**

- Revenue for the year ended December 31, 2022 was approximately HK\$1,611.2 million, a decrease of 13.1% as compared with approximately HK\$1,854.6 million for the year ended December 31, 2021;
- Gross profit for the year ended December 31, 2022 was approximately HK\$223.0 million, a sharp increase of 47.7% as compared with approximately HK\$151.0 million for the year ended December 31, 2021;
- Gross profit margin for the year ended December 31, 2022 was approximately 13.8%, a sharp increase of 70.4% as compared with approximately 8.1% for the year ended December 31, 2021;
- EBITDA for the year ended December 31, 2022 was approximately HK\$5.8 million, an increase of 102.9% as compared with approximately HK\$197.9 million loss for the year ended December 31, 2021;
- Loss attributable to owners of the Company for the year ended December 31, 2022 was approximately HK\$104.6 million, as compared with approximately HK\$340.7 million for the year ended December 31, 2021; and
- Basic loss per share for the year ended December 31, 2022 of 8.7 HK cents (year ended December 31, 2021: loss per share 28.4 HK cents).

The board (“**Board**”) of directors (“**Directors**”) of PanAsialum Holdings Company Limited (“**Company**”, together with its subsidiaries, “**Group**”) announces the consolidated annual results of the Group for the year ended December 31, 2022 (“**Year**”), together with the comparative figures as below.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended December 31, 2022*

	<i>Notes</i>	<b>Year ended December 31, 2022 HK\$’000</b>	Year ended December 31, 2021 HK\$’000
Revenue	3	<b>1,611,202</b>	1,854,640
Cost of sales		<u><b>(1,388,170)</b></u>	<u>1,703,669</u>
<b>Gross profit</b>		<b>223,032</b>	150,971
Distribution and selling expenses		<b>(55,391)</b>	(96,083)
Administrative expenses		<b>(305,948)</b>	(230,735)
Other income	6	<b>70,204</b>	29,800
Other losses – net	7	<b>(53,647)</b>	(18,460)
Finance costs – net		<b>(21,981)</b>	(42,818)
Reversal of impairment loss/(impairment loss) on trade receivables		<u><b>25,702</b></u>	<u>(150,738)</u>
<b>Loss before income tax</b>	8	<b>(118,029)</b>	(358,063)
Income tax credit	9	<u><b>13,406</b></u>	<u>17,338</u>
<b>Loss for the year</b>		<u><b>(104,623)</b></u>	<u>(340,725)</u>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted (HK cents per share)	11	<u><b>(8.7)</b></u>	<u>(28.4)</u>

	<b>Year ended December 31, 2022 HK\$'000</b>	Year ended December 31, 2021 HK\$'000
Loss for the year	<b>(104,623)</b>	(340,725)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	<b>(92,880)</b>	27,892
Release of statutory reserves upon deregistration of a subsidiary	<u>          —</u>	<u>          (486)</u>
Total comprehensive income for the year	<b><u><u>(197,503)</u></u></b>	<b><u><u>(313,319)</u></u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at December 31, 2022*

	<i>Note</i>	<b>December 31, 2022</b>	December 31, 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>634,661</b>	829,812
Right-of-use assets		<b>295,484</b>	333,095
Investment properties		<b>21,355</b>	78,860
Deferred tax assets		<b>2,333</b>	2,540
Prepayments for property, plant and equipment		<b>6,961</b>	28,864
		<u><b>960,794</b></u>	<u>1,273,171</u>
<b>Current assets</b>			
Inventories		<b>101,990</b>	201,880
Trade receivables	4	<b>273,471</b>	380,442
Prepayments, deposits and other receivables		<b>217,947</b>	206,602
Pledged bank deposits and time deposits		<b>56,136</b>	26,478
Cash and cash equivalents		<b>73,665</b>	54,599
		<u><b>723,209</b></u>	<u>870,001</u>
<b>Total assets</b>		<u><b>1,684,003</b></u>	<u>2,143,172</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		<b>120,000</b>	120,000
Reserves		<b>596,030</b>	793,533
		<u><b>716,030</b></u>	<u>913,533</u>
Total equity attributable to owners of the Company		<u><b>716,030</b></u>	<u>913,533</u>

		<b>December 31,</b>	December 31,
		<b>2022</b>	2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>829</b>	3,859
Borrowings		<b>231,483</b>	230,259
Income tax liabilities		<b>262,033</b>	307,223
		<u><b>494,345</b></u>	<u>541,341</u>
<b>Current liabilities</b>			
Trade payables	5	<b>53,802</b>	109,082
Contract liabilities, other payables and accrued charges		<b>158,592</b>	218,242
Borrowings		<b>162,499</b>	256,424
Lease liabilities		<b>5,144</b>	9,576
Deferred income on government grants		<b>16,690</b>	18,588
Income tax liabilities		<b>76,901</b>	76,386
		<u><b>473,628</b></u>	<u>688,298</u>
<b>Total liabilities</b>		<u><b>967,973</b></u>	<u>1,229,639</u>
<b>Total equity and liabilities</b>		<u><b>1,684,003</b></u>	<u>2,143,172</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 under which Mr. Pan Zhaolong, the Chairman, executive director and chief executive officer of the Company, is a nominated beneficiary.

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, 2023.

## 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 properties which are 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.

## 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:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *Amendments to HKFRS 3 Reference to the Conceptual Framework*

The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The Group has applied amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

#### *Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognized in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

#### *Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

#### *Annual Improvements to HKFRSs 2018-2020*

The annual improvements make amendments to the following standards:

- HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9 Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognize a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16 Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41 Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Group has applied the amendment prospectively from January 1, 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

#### *(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.



Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) (the “2020 Amendments”) <sup>2,4</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

<sup>4</sup> As a consequence of the amendments to the 2020 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

The Group expected that the amendments do not have any significant impact on the Group’s financial statements.

### 3 REVENUE AND SEGMENT INFORMATION

#### (a) Reportable segments

The executive directors (“ED(s)”) of the Company, being the chief operating decision makers, regularly review operating segments based on reports that are used to make strategic decisions. The operating segment has been identified on the basis of internal management reports prepared and is regularly reviewed by the EDs of the Company and no analysis of product segment is presented.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The Group’s reportable segments are as follows:

- (i) manufacture and trading of aluminium products; and
- (ii) investment properties

During the year, the Group changes its internal organisation in a manner that causes the composition of its reportable segments to change with a new reportable investment properties segment which comprises lease business. Accordingly, the segment information for the year ended December 31, 2021 is represented to conform the change.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group’s profit/loss before income tax except that unallocated finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**For the year ended December 31, 2022**

	<b>Aluminium products HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment revenue	1,611,202	–	1,611,202
Reportable segment loss	(56,430)	(53,011)	(109,441)
Finance costs	(22,587)	–	(22,587)
Change in fair value of investment properties	–	(52,547)	(52,547)
Loss on disposal of property, plant and equipment			
– allocated	(592)	–	(592)
– unallocated			<u>(6)</u>
			(598)
Impairment loss on property, plant and equipment	(67,390)	–	(67,390)
Impairment loss on prepayments for property, plant and equipment	(27,838)	–	(27,838)
Impairment loss on inventories	(10,629)	–	(10,629)
Depreciation of property, plant and equipment			
– allocated	(82,578)	–	(82,578)
– unallocated			<u>(1,271)</u>
			(83,849)
Depreciation of right-of-use assets			
– allocated	(16,951)	–	(16,951)
– unallocated			<u>(1,073)</u>
			(18,024)
Reversal of impairment loss on trade receivables	25,702	–	25,702
Income tax credit	<u>13,406</u>	<u>–</u>	<u>13,406</u>

For the year ended December 31, 2021 (represented)

	Aluminium products <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	1,854,640	–	1,854,640
Reportable segment loss	(311,592)	(11,669)	(323,261)
Finance costs	(44,208)	–	(44,208)
Revaluation loss on property, plant and equipment	–	(10,058)	(10,058)
Loss on disposal of property, plant and equipment			
– allocated	(18,876)	–	(18,876)
– unallocated			<u>(6)</u>
			(18,882)
Impairment loss on prepayments for property, plant and equipment	(8,131)	–	(8,131)
Impairment loss on inventories	(10,083)	–	(10,083)
Depreciation of property, plant and equipment			
– allocated	(96,008)	–	(96,008)
– unallocated			<u>(1,823)</u>
			(97,831)
Depreciation of right-of-use assets			
– allocated	(18,400)	–	(18,400)
– unallocated			<u>(1,151)</u>
			(19,551)
Impairment loss on trade receivables	(150,738)	–	(150,738)
Income tax credit	<u>14,823</u>	<u>2,515</u>	<u>17,338</u>

**As at December 31, 2022**

	<b>Aluminium products HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment assets	1,652,153	22,049	1,674,202
Additions to non-current assets	32,879	–	32,879
Reportable segment liabilities	952,348	2,245	954,593

**As at December 31, 2021 (represented)**

	<b>Aluminium products HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment assets	2,050,969	78,978	2,129,947
Additions to non-current assets	117,426	–	117,426
Reportable segment liabilities	1,207,291	2,445	1,209,736

**(b) Reconciliation of reportable segment profit or loss, assets and liabilities**

	<b>Year ended December 31, 2022 HK\$'000</b>	<b>Year ended December 31, 2021 HK\$'000</b>
<b>Loss before income tax</b>		
Reportable segment loss	(109,441)	(323,261)
Unallocated finance costs	(55)	(105)
Unallocated corporate expenses	(8,533)	(34,697)
Consolidated loss before income tax	<u>(118,029)</u>	<u>(358,063)</u>
	<b>December 31, 2022 HK\$'000</b>	<b>December 31, 2021 HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	1,674,202	2,129,947
Deferred tax assets	2,333	2,540
Unallocated cash and cash equivalents	3,912	1,035
Unallocated corporate assets	3,556	9,650
Consolidated total assets	<u>1,684,003</u>	<u>2,143,172</u>

	<b>December 31, 2022 HK\$'000</b>	December 31, 2021 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	<b>954,593</b>	1,209,736
Unallocated corporate liabilities	<b>13,380</b>	19,903
	<hr/>	<hr/>
Consolidated total liabilities	<b>967,973</b>	1,229,639
	<hr/> <hr/>	<hr/> <hr/>

(c) **Geographical information**

The tables below present geographical segment information. The Group derives revenue from manufacture and trading of aluminium products over time and at a point in time in the following geographical regions:

	<b>Year ended December 31, 2022 HK\$'000</b>	Year ended December 31, 2021 HK\$'000
<b>Primary geographical markets</b>		
The PRC	<b>700,816</b>	687,820
Australia	<b>92,904</b>	252,510
South East Asia	<b>739,173</b>	761,707
Others	<b>78,309</b>	152,603
	<hr/>	<hr/>
Total	<b>1,611,202</b>	1,854,640
	<hr/> <hr/>	<hr/> <hr/>
<b>Major products/Services</b>		
Sales of goods	<b>1,608,430</b>	1,828,022
Processing fees	<b>2,772</b>	26,618
	<hr/>	<hr/>
	<b>1,611,202</b>	1,854,640
	<hr/> <hr/>	<hr/> <hr/>
<b>Time of revenue recognition</b>		
At a point in time	<b>1,608,430</b>	1,828,022
Transferred over time	<b>2,772</b>	26,618
	<hr/>	<hr/>
	<b>1,611,202</b>	1,854,640
	<hr/> <hr/>	<hr/> <hr/>

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, 2022</b>	December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	<b>952,678</b>	1,262,872
Hong Kong	<b>4,390</b>	6,142
Other countries	<b>1,393</b>	1,617
	<b><u>958,461</u></b>	<u>1,270,631</u>

**(d) Information about major customers**

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

	<b>Year ended December 31, 2022</b>	Year ended December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<b>739,173</b>	761,698
Customer B	<b>254,549</b>	236,784
	<b><u>993,722</u></b>	<u>998,482</u>

**4 TRADE RECEIVABLES**

	<b>December 31, 2022</b>	December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<b>424,229</b>	559,199
Less: impairment loss recognized	<b><u>(150,758)</u></b>	<u>(178,757)</u>
Trade receivables – net	<b><u>273,471</u></b>	<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 (December 31, 2021: same). The Group does not hold any collateral as security.

As at December 31, 2022, the ageing analysis of the trade receivables based on due date was as follows:

	<b>December 31, 2022</b>	December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>256,658</b>	315,720
1 – 30 days	<b>14,153</b>	41,187
31 – 60 days	<b>2,026</b>	7,348
61 – 90 days	<b>459</b>	2,081
91 – 180 days	<b>173</b>	1,967
181 days – 1 year	<b>2</b>	12,139
	<b>273,471</b>	380,442
	<u><u>273,471</u></u>	<u><u>380,442</u></u>

## 5 TRADE PAYABLES

	<b>December 31, 2022</b>	December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<b>53,802</b>	109,082
	<u><u>53,802</u></u>	<u><u>109,082</u></u>

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

	<b>December 31, 2022</b>	December 31, 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>32,373</b>	65,348
31 – 60 days	<b>5,437</b>	6,709
61 – 90 days	<b>2,276</b>	2,105
Over 90 days	<b>13,716</b>	34,920
	<b>53,802</b>	109,082
	<u><u>53,802</u></u>	<u><u>109,082</u></u>



## 6 OTHER INCOME

	Year ended December 31, 2022 <i>HK\$'000</i>	Year ended December 31, 2021 <i>HK\$'000</i>
Government grants <sup>(i)</sup>	10,227	5,331
Scrap sales	3,005	2,038
Rental income	1,289	1,905
Customs and other tax refund	47,316	19,510
Write back of other payables	5,191	–
Others	3,176	1,016
	<u>70,204</u>	<u>29,800</u>

- (i) For the year ended December 31, 2022, government grants mainly include (i) HK\$141,000 (year ended December 31, 2021: HK\$590,000) 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 and Australia, and (ii) HK\$9,696,000 (year ended December 31, 2021: HK\$4,419,000) 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.

## 7 OTHER LOSSES – NET

	Year ended December 31, 2022 <i>HK\$'000</i>	Year ended December 31, 2021 <i>HK\$'000</i>
Net exchange gains/(losses)	3,613	(9,386)
Effect of lease modification	2,264	–
Loss on settlement of derivative financial instruments	(6,977)	(1,032)
Change in fair value of investment properties	(52,547)	–
Revaluation loss on property, plant and equipment	–	(10,058)
Gain on deregistration of a subsidiary	–	2,016
	<u>(53,647)</u>	<u>(18,460)</u>

## 8 LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging:

	Year ended December 31, 2022 HK\$'000	Year ended December 31, 2021 HK\$'000
Auditor's remuneration	3,135	2,908
Cost of inventories recognized as expenses	1,388,170	1,703,669
Loss on disposal of property, plant and equipment	598	18,882
Employee benefit expenses	115,436	183,694
Depreciation:		
– Owned property, plant and equipment	83,849	97,831
– Right-of-use assets	18,024	19,551
Impairment loss on property, plant and equipment	67,390	–
Impairment loss on prepayments for property, plant and equipment	27,838	8,131
Impairment loss on inventories	10,629	10,083
Legal and professional fees	3,905	8,356
Research and development expenses	50,898	44,380
	<u>                    </u>	<u>                    </u>

## 9 INCOME TAX CREDIT

For the year ended December 31, 2022, no provision for Hong Kong profits tax has been provided as there is sufficient tax losses to offset with the assessable profits. 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.

The Group's operations in the PRC are subject to the PRC corporate income tax. For the year ended December 31, 2022, no provision for PRC corporate income tax has been provided as there is sufficient tax losses to offset with the assessable profits. For the year ended December 31, 2021, no provision for PRC corporate income tax has been provided as there is no assessable profit arising in the PRC. The standard PRC corporate income tax rate was 25% for the year ended December 31, 2022 (year ended December 31, 2021: Same).

	Year ended December 31, 2022 HK\$'000	Year ended December 31, 2021 HK\$'000
Hong Kong profits tax		
– current year	–	–
Overseas taxation		
– current year	6,839	–
– Over-provision in respect of prior years	(20,245)	(14,823)
Deferred tax	–	(2,515)
	<u>                    </u>	<u>                    </u>
	<u>(13,406)</u>	<u>(17,338)</u>

## 10 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2022 (year ended December 31, 2021: Nil).

## 11 LOSS PER SHARE

### Basic

Basic loss per share is calculated by dividing the loss 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, 2022</b>	Year ended December 31, 2021
Loss attributable to owners of the Company (HK\$'000)	<u>(104,623)</u>	<u>(340,725)</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, 2022 and 2021, 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.

## 12 EVENT AFTER THE REPORTING PERIOD

On January 9, 2023, PanAsia Aluminium Limited, PanAsia Aluminium (China) Co., Ltd. (collectively the “**Vendors**”), PanAsia Enterprises (Nanyang) Co., Ltd. (“**Vendors’ guarantor**”) and PanAsia Enterprises (Jiangmen) Co., Ltd. (the “**Disposal Company**”) entered into a sale and purchase agreement with an independent purchaser pursuant to which the Vendors have agreed to sell the entire equity interest in the Disposal Company at a consideration of RMB36 million (the “**Disposal**”). The Disposal has been completed on March 24, 2023.

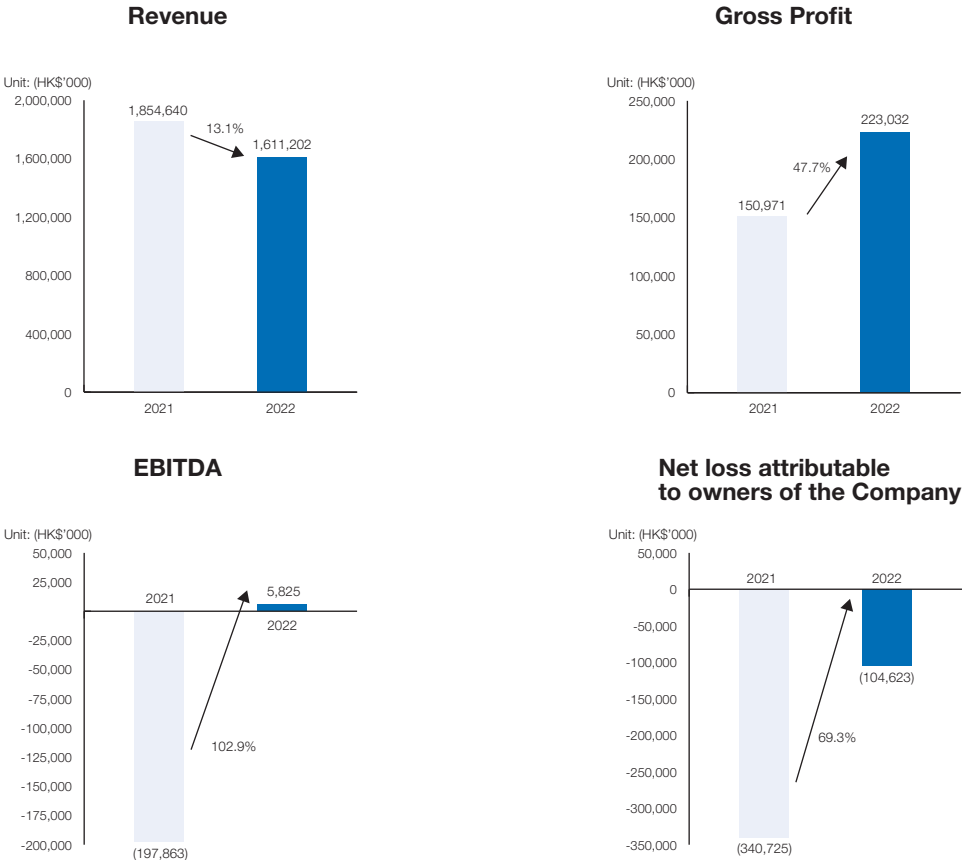
## MANAGEMENT DISCUSSION AND ANALYSIS

The 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 2022, the Group remained to be committed to its strategy of maintaining our competitive edges and diversified product portfolio. We have been optimizing our product portfolio by focusing on high-value-added products and sectors with a range of advantageous development opportunities for growth, resulting in a proactive shift in the Group’s product mix. On the other hand, the Group has been exercising rigorous cost control on our business to sustain our operation while maintaining the quality of the current manufacturing operations, as well as the sustainability of profits.

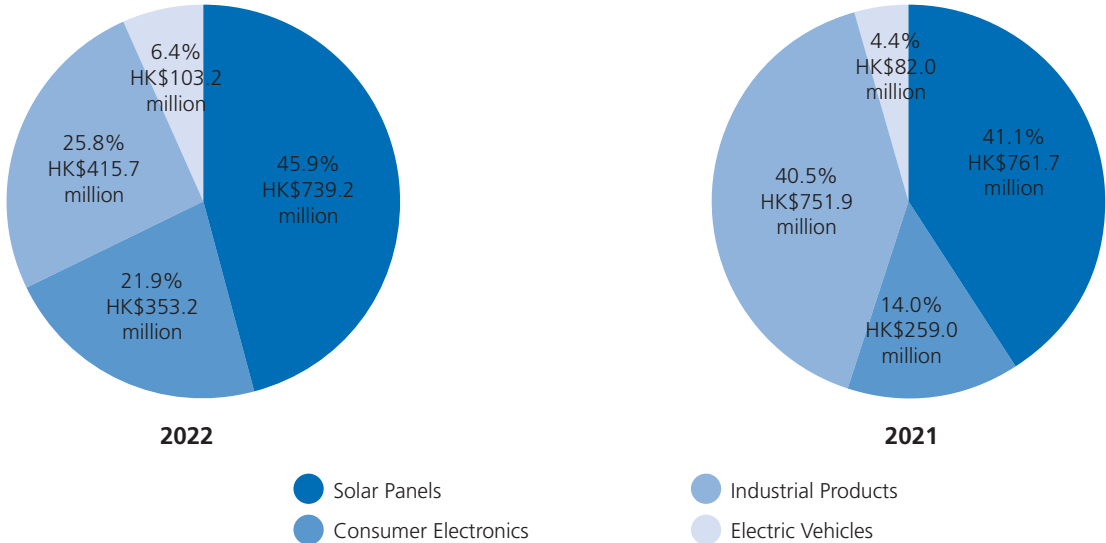
The Group’s revenue, gross profit, EBITDA, net loss attributable to owners of the Company for the years ended December 31, 2022 and 2021 together with comparison figures are as follows:



For the year ended December 31, 2022, the overall sales volume of the Group was approximately 48,911 tonnes, representing a year-on-year decrease of 4.9% compared with that for last year. The Group recorded revenue of approximately HK\$1,611.2 million for the Year, representing a decrease of approximately 13.1% as compared to the year ended December 31, 2021. Due to optimization of product mix and the Group’s continuous effective management of costs, the gross profit margin of the Group increased to approximately 13.8% for the Year (year ended December 31, 2021: approximately 8.1%). The loss attributable to owners of the Company amounted to approximately HK\$104.6 million for the Year, representing a sharp decrease by 69.3% as compared to the net loss for the year ended December 31, 2021.

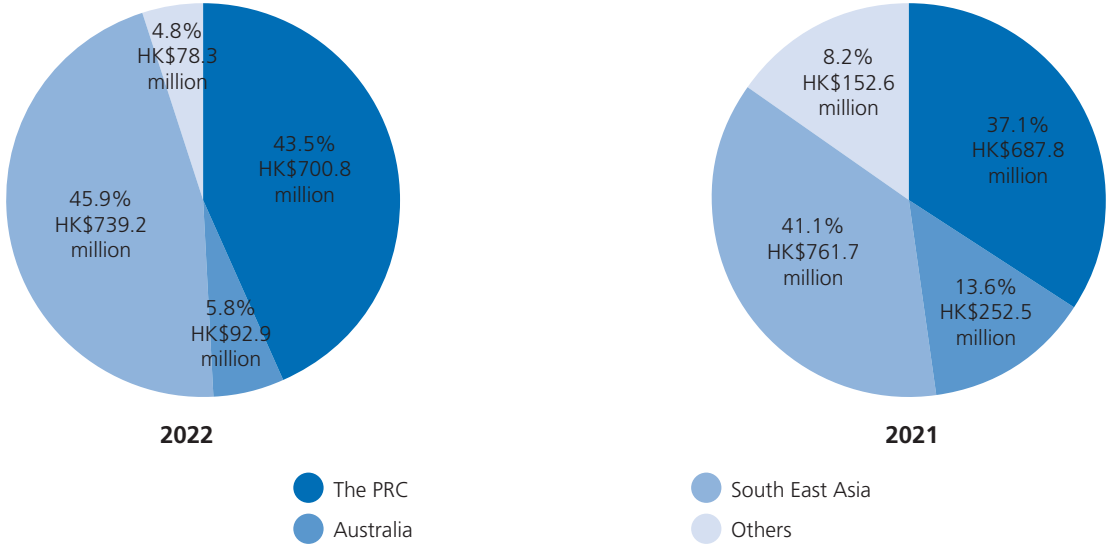
**Revenue**

The following table shows the breakdown of revenue by products for the years ended December 31, 2022 and 2021:



The Group’s revenue derived from Solar Panels and Consumer Electronics products for the Year was approximately HK\$739.2 million and HK\$353.2 million respectively, accounting for approximately 45.9% and 21.9% of the total revenue and representing a slight decrease of approximately 3.0% and an increase of approximately 36.4% respectively as compared with 2021. The increase in Consumer Electronics Products’ revenue was mainly contributed by the increase in sales orders, whereas the Solar Panels’ revenue remained stable for the Year. The Group’s revenue derived from industrial products amounted to approximately HK\$415.7 million, representing a decrease of approximately 44.7% from that of approximately HK\$751.9 million for 2021. 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 surging inflation, decline in market demand, continued impact of COVID-19 pandemic and other factors during the Year.

The following tables show the breakdown of revenue by geographical location for the years ended December 31, 2022 and 2021:



The decrease in overall revenue during the Year was mainly caused by the drop in revenue of the South East Asia market and overseas markets such as Australia and United Kingdom, offset by the increment in revenue of the domestic market.

**Cost of sales**

The Group’s cost of sales shrank by 18.5% from approximately HK\$1,703.7 million for the year ended December 31, 2021 to approximately HK\$1,388.2 million for the Year. Such decrease was mainly due to the change in the product mix and the Group’s continuous implementation of effective stringent cost control measures, which led to the decrease in average unit cost.

**Gross profit and gross profit margin**

During the Year, the Group’s gross profit amounted to approximately HK\$223.0 million (December 31, 2021: approximately HK\$151.0 million) and the overall gross profit margin amounted to approximately 13.8% (December 31, 2021: approximately 8.1%). 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\$55.4 million for the Year from approximately HK\$96.1 million for the year ended December 31, 2021, which was primarily due to the decrease in transportation costs, and salaries and benefit expenses. The drop in transportation costs was mainly resulted by a combined effect of an increase in the proportion of sales with less transportation costs and decrease in our sales to overseas markets; as well as decrease in sales. The decrease in salaries and benefit expenses was primarily due to a decrease in number of staff during the Year.

**Administrative expenses**

Administrative expenses mainly comprise research and development costs, salaries and benefit expenses, government levies, depreciation charges, impairment loss on property, plant and equipment, as well as impairment loss on inventories and prepayments. Administrative expenses increased to approximately HK\$305.9 million for the Year from approximately HK\$230.7 million for the year ended December 31, 2021, which was primarily due to the increase in impairment loss on properties, plant and equipment, impairment loss on prepayments, and research and development expenses offset by the decrease in salaries and benefit expenses for the Year as compared with those for the year ended December 31, 2021.

**Other Income**

Other income increased from approximately HK\$29.8 million for the year ended December 31, 2021 to approximately HK\$70.2 million for the Year. Such increase was primarily contributed by the increase in custom refunds of our overseas operations.

**Other losses – net**

Other losses increased from approximately HK\$18.5 million for the year ended December 31, 2021 to approximately HK\$53.6 million for the Year. The loss was mainly due to the change in fair value of investment properties of approximately HK\$52.5 million and loss on settlement of derivative financial instruments of approximately HK\$7.0 million during the Year.

During the Year, the Group entered into aluminum future contracts in order to manage its exposure to the price risk of aluminium. The loss on settlement of derivative financial instruments – aluminium future contracts increased from approximately HK\$1.0 million for the year ended December 31, 2021 to approximately HK\$7.0 million for the Year.

**Finance income**

Finance income decreased from approximately HK\$1.5 million for the year ended December 31, 2021 to approximately HK\$0.7 million for the Year. It mainly comprised of interest income on bank deposits.

## **Finance costs**

Finance costs amounted to approximately HK\$22.6 million for the Year compared to approximately HK\$44.3 million for the year ended December 31, 2021. The decrease in finance costs was primarily due to the repayment of bank loans and the replacement of bank loans with higher interest rate during the Year, resulting in a decrease in the effective interest rate of the interest bearing borrowing as compared with the year ended December 31, 2021.

## **Income tax credit**

Income tax credit for the Year mainly represented the tax credit in relation to the over-provision of tax payable in the PRC in respect to prior years, offset by the amount of current tax payable. Income tax credit decreased from approximately HK\$17.3 million for the year ended December 31, 2021 to approximately HK\$13.4 million for the Year.

## **Outlook and Prospects**

As the residual effects of Covid-19 continue to transform close to every aspect of life and business, the Company has embraced changes to deliver better services and products, and stay relevant in the market.

Projections for 2023 show a challenging business environment ahead. Shortages and cost increases of many raw materials and components, together with record-high shipping costs are expected to continue to affect the Group. As a mitigation measure, we are closely managing the Group's inventory levels and working capital requirements. The situation is compounded by the global disruption of supply chains, high inflation, rising interest rates in key global economies triggered global socio-political and economic unbalances.

As such, the Company's business objectives have been simplified and refocused. On this end, our investment in Jiangmen was sold, as disclosed in the announcements of the Company dated January 9, 2023, January 16, 2023 and March 17, 2023, and the circular of the Company dated March 24, 2023. The Group has also been assessing options available and will make suitable arrangements for the production lines in its production facility located in Xinjiang from time to time. The rationale behind these two interventions is to be more focused, and to ensure our core business stays aligned to our long-term vision.

Looking ahead, we are confident that the Group remains well-placed in 2023, thanks to long-term planning, including rationalizing revenue growth, and advantageous development opportunities in various sectors, especially Green Energy and Electric Vehicles. The Group will continue managing costs, maintaining competitive edges, investing in a sustainable long-term growth, diversifying product portfolios, with a strong focus on high-value products, and environmental, social and governance matters.

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

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



## EVENT AFTER REPORTING PERIOD

### Major Transaction in relation to the Disposal of the entire equity interest in the Disposal Company

On 9 January 2023, PanAsia Aluminium Limited and PanAsia Aluminium (China) Co., Ltd.\* (榮陽鋁業(中國)有限公司) (collectively, the “**Vendors**”), PanAsia Enterprises (Nanyang) Co., Ltd.\* (榮陽實業(南陽)有限公司) (the “**Vendors’ Guarantor**”), PanAsia Enterprises (Jiangmen) Co., Ltd.\* (榮陽實業(江門)有限公司) (the “**Disposal Company**”), certain indirectly wholly-owned subsidiaries of the Company; Jiangmen Jiantai Enterprises Co., Ltd.\* (江門市健泰實業有限公司), (the “**Purchaser**”) and Jiangmen Zhenyi Enterprises Co., Ltd.\* (江門市鎮怡實業有限公司) (the “**Purchaser’s Guarantor**”) entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which, amongst others, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest in the Disposal Company, at the Consideration of approximately RMB34.8 million (subject to adjustment) (the “**Disposal**”). The Vendors, the Purchaser and the Disposal Company have also entered into a waiver letter on March 17, 2023 pursuant to which it was agreed that the collaterals provided by the Vendors and their affiliates will be released and discharged within 15 working days after the registration of the Purchaser as shareholder of the Disposal Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.09 of the Listing Rules) in relation to the Sale and Purchase Agreement and the Disposal contemplated thereunder exceed 25% but all are below 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The Company has obtained written approval for the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Easy Star Holdings Limited, which is the beneficial owner of 900,000,000 Shares (representing approximately 75.0% of the entire issued share capital of the Company) as at the date of this announcement.

Taking into account the assets and liabilities to be excluded, the assets and liabilities remaining in the Disposal Company, being the assets and liabilities subject to the transaction under the Sale and Purchase Agreement, would substantially be the land use rights for a parcel of land with a total land area of approximately 133,333 square metres for industrial purposes located at Zone A, Heshan Industrial City, Heshan\* (鶴山市鶴山工業城A區) (together with buildings erected thereon and construction in progress) (the “**Land**”) and the loans owing by the Disposal Company to a bank in the PRC. Completion of the Disposal took place on March 24, 2023, It was confirmed by the parties that the actual loan amount was approximately RMB104.0 million and the final adjusted consideration is approximately RMB36.0 million.

\* For identification purpose only

Based on the final consideration (after adjustment), it is expected that the Group will record a net gain of approximately HK\$6.8 million as a result of the Disposal. The actual gain/loss will be determined based on the actual amount received by the Group and the obligations of the Group under the Sale and Purchase Agreement (including but not limited to the indemnity provided by the Group in respect of third party liabilities arising from events subsisting before the date of completion, e.g. compensation relating to the legal dispute between the Disposal Company and the contractor on constructions on the Land) and may be different from the above estimation; and such gain/loss is subject to final audit to be performed by the Company's auditors.

For details, please refer to the announcements of the Company dated January 9, 2023, January 16, 2023 and March 17, 2023, and the circular of the Company dated March 24, 2023.

### **Liquidity and Financial Resources**

The Group mainly used its internally generated cashflow and borrowings for its capital expenditure and working capital. As at December 31, 2022, the Group had approximately HK\$73.7 million cash and cash equivalents (As at December 31, 2021: approximately HK\$54.6 million), approximately HK\$56.1 million pledged bank deposits and time deposits (As at December 31, 2021: approximately HK\$26.5 million) and interest-bearing borrowings of approximately HK\$394.0 million denominated in RMB (As at December 31, 2021: approximately HK\$486.7 million denominated in RMB).

### **Pledged Assets**

As at December 31, 2022, assets with a total carrying amount of approximately HK\$322.7 million (December 31, 2021: approximately HK\$315.8 million) of the Group were pledged, including property, plant and equipment, right-of-use assets, trade receivables and bank deposits for the Group's borrowings.

## SUMMARY OF KEY FINANCIAL RATIOS

	<b>Year ended December 31, 2022</b>	Year ended December 31, 2021
Gross Profit Margin <sup>(1)</sup>	<b>13.8%</b>	8.1%
Return on Equity <sup>(2)</sup>	<b>-14.6%</b>	-37.3%
Interest Coverage Ratio <sup>(3)</sup>	<b>-4.24</b>	-7.11
	<b>As at December 31, 2022</b>	As at December 31, 2021
Current Ratio <sup>(4)</sup>	<b>1.53</b>	1.26
Quick Ratio <sup>(5)</sup>	<b>1.31</b>	0.97
Gearing Ratio <sup>(6)</sup>	<b>30.9%</b>	32.1%
Debt to Equity Ratio <sup>(7)</sup>	<b>44.7%</b>	47.3%

- (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 net debt (total borrowings less cash and cash equivalents) divided by sum of total equity and net debt 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, 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 RISK**

The Group continued to receive United States dollar (“USD”) and RMB from 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 USD 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 USD and RMB may have an impact on the operating results of the Group.

## **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\$7.0 million during the Year (December 31, 2021: approximately HK\$1.0 million). Management considers the fluctuation on the commodity price of aluminium do not have a significant impact on the Group’s earnings and cash flows in the long run.

## **CAPITAL COMMITMENTS**

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2022 amounted to approximately HK\$197.6 million (December 31, 2021: approximately HK\$253.0 million), which was mainly related to the acquisition of plant and machineries in the PRC.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil).

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

Except the future plans as disclosed in the paragraph headed “Outlook and Prospects”, the Group had no other future plans for material investments or capital assets as at December 31, 2022.

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEE INFORMATION AND REMUNERATION POLICIES**

As at December 31, 2022, the Group employed approximately 1,179 staff (December 31, 2021: approximately 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 opportunities according to their needs. During the Year, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$115.4 million (year ended December 31, 2021: approximately HK\$183.7 million).

## **OTHER INFORMATION**

### **Directors' Securities Transaction**

The Company has adopted the 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 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. On January 1, 2022, the amendments to the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules came into effect and the requirements under the new CG code applied 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 and alignment with the latest developments of CG Code.

The Group has applied the principles and complied with the code provisions of the CG Code 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.

### **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 four members who are the independent non-executive Directors, namely Mr. Leung Ka Tin, Dr. Cheung Wah Keung, Mr. Chan Kai Nang and Mr. Man Yiu Kwong Nick.

The Audit Committee and the management have reviewed the accounting principles and practices adopted by the Group, as well as the 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 in accordance with the Listing Rules.

By order of the Board  
**PanAsialum Holdings Company Limited**  
**Pan Zhaolong**  
*Chairman and Executive Director*

Hong Kong, March 28, 2023

*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, Mr. Chan Kai Nang and Mr. Man Yiu Kwong Nick.*