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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN THE DISPOSAL COMPANY**

#### **THE DISPOSAL**

The Board is pleased to announce that on 19 December 2023 (after trading hours), the Vendor, the Purchaser and the Disposal Company entered into the Sale and Purchase Agreement, pursuant to which, amongst others, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% of the equity interest in the Disposal Company at the Consideration of RMB16,393,548.

#### **LISTING RULES IMPLICATIONS**

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 5% but all are below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

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## THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

### Date

19 December 2023

### Parties

- (1) Purchaser: Suzhou Boneng Luyao Technology Co., Ltd.\* (蘇州博能爐窯科技有限公司);
- (2) Vendor: PanAsia Aluminium (China) Co., Ltd.\* (滎陽鋁業(中國)有限公司); and
- (3) Disposal Company: Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd.\* (昌吉准東經濟技術開發區宏睿鋁業有限公司).

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

### The Disposal Equity

Pursuant to the Sale and Purchase Agreement, amongst others, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Equity, free from all encumbrances.

The table below sets out the registered capital and shareholding of the Disposal Company (i) as at the date of this announcement; and (ii) immediately upon the Second Completion:

	As at the date of this announcement		Immediately upon the Second Completion	
	Registered Capital	Shareholding	Registered Capital	Shareholding
	RMB (million)	(%)	RMB (million)	(%)
Vendor	235.0	100	–	–
Purchaser	–	–	235.0	100
<b>Total</b>	<b>235.0</b>	<b>100</b>	<b>235.0</b>	<b>100</b>

The underlying assets to be disposed of in the Disposal are the Disposal Properties held by the Disposal Company. Pursuant to the Sale and Purchase Agreement, except for the Disposal Properties, the Vendor shall be responsible for the disposal and settlement of all the Excluded Assets and Liabilities, which shall not form part of the Disposal.

## **Consideration**

The Consideration for the Disposal is RMB16,393,548.

The Consideration was determined after arm length negotiations between the Vendor and the Purchaser with reference to (i) the appraised value of the Disposal Properties in the total amount of RMB16,200,000 as at 30 November 2023 based on a valuation report prepared by APAC Appraisal and Consulting Limited (the “**Valuer**”), an independent professional valuer; (ii) the prevailing market conditions; (iii) the operational and financial performance of the Disposal Company, in particular, the fact that due to changes in market conditions relating to the products of the Disposal Company and instable economic environment in Xinjiang, the operations of Disposal Company has been suspended for more than a year; and (iv) the business strategy of the Group to streamline its non-core business and optimize its business structure as more particularly described in the section headed “Reasons for and Benefit of the Disposal” in this announcement.

Having considered that the underlying assets to be disposed of in the Disposal are the Disposal Properties held by the Disposal Company as the Excluded Assets and Liabilities (being substantially all the assets and liabilities of the Disposal Company other than the Disposal Properties) will not form part of the Disposal, the Directors are of the view that it is appropriate to determine the Consideration with reference to the appraised value of the Disposal Properties. As at 30 November 2023, the appraised value of the Disposal Properties, as stated in the valuation report, was RMB16,200,000.

## ***Valuation Methodology***

The Valuer has valued the Disposal Properties by using the direct comparison approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

## ***Assumptions***

The Valuer has assumed that the owners sell the Disposal Properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the Disposal Properties. No allowance has been made in the valuation for any charges, mortgages or amounts owing on the Disposal Properties nor for any expenses or taxation which may be incurred in effecting a sale. It was also assumed that the Disposal Properties are free of encumbrances, restrictions, outgoings of onerous nature and public information which could affect their values. It was also an assumption that the Disposal Properties are freely transferrable in the market at no extra land grant premium or other onerous charges payables to the government.

The Valuer has advised that the bases and assumptions of the valuation are those commonly adopted for valuation of properties in the context of a disposal transaction.

The Board is of the view that the valuation conducted by the Valuer, which was based on fair value, together with the bases and assumptions set out above, are fair and reasonable and appropriate for the purpose of the appraisal of the Disposal Properties.

**Payment**

The Consideration shall be settled by the Purchaser in cash in the following manner:

- (a) RMB1,793,548 shall be paid by the Purchaser to the Vendor on the First Completion Date, which may be set off against the remaining deposit (after deducting the lease payment up to 31 December 2023) paid by the Purchaser under the Lease Agreement; and
- (b) RMB14,600,000 shall be paid by the Purchaser to the Vendor on the Second Completion Date.

**Conditions Precedent**

The First Completion is conditional on the following conditions precedent (the “**First Completion Conditions**”) being satisfied or waived by the Purchaser in writing (as the case may be):

1. there being no law or order that restricts or prohibits the First Completion, and there being no bona fide request by any party (or directly or indirectly promoted, instigated, encouraged or initiated by the parties to the Sale and Purchase Agreement) to challenge the Sale and Purchase Agreement or the transactions contemplated by the Sale and Purchase Agreement or to seek to prohibit, change, prevent or significantly delay the First Completion;
2. board resolutions and shareholder resolutions having been duly and validly passed by the Vendor’s board of directors and shareholder(s) to authorize the Vendor to sign and perform the Sale and Purchase Agreement and the transactions contemplated thereunder;
3. board resolutions and shareholder resolutions having been duly and validly passed by the Disposal Company’s board of directors and shareholder(s) to authorize the Disposal Company to sign and perform the Sale and Purchase Agreement and the transactions contemplated thereunder;
4. board resolutions and shareholder resolutions having been duly and validly passed by the Purchaser’s board of directors and shareholder(s) to authorize the Purchaser to sign and perform the Sale and Purchase Agreement and the transactions contemplated thereunder;
5. the Vendor and the Disposal Company having delivered the relevant documents (including corporate documents, agreements, properties documents and bank information and articles) agreed in the Sale and Purchase Agreement to the Purchaser;

6. the parties having confirmed the current condition of the Disposal Properties and recorded by way of photo-taking; and
7. the Company having complied with the requirements of the Stock Exchange and under the Listing Rules for the transactions contemplated under the Sale and Purchase Agreement, carried out all announcement and approval procedures and provided the relevant procedural documents and announcement.

The Second Completion is conditional on the following conditions precedent (the “**Second Completion Conditions**”) being satisfied or waived by the Purchaser in writing (as the case may be):

1. the representations and warranties, undertaking and covenants to be observed by the Vendor and the Disposal Company at or before the Second Completion as set out in the Sale and Purchase Agreement having been fulfilled in all respects and not having been breached;
2. there being no proceedings or litigation, or any claims against the Vendor or the Disposal Company filed by any governmental or non-governmental departments seeking to prohibit the transaction contemplated under the Sale and Purchase Agreement or causing material adverse changes thereto, and such claims, in the reasonable judgment of the Purchaser in good faith, may cause the Second Completion impossible or illegal for the Purchaser, or can reasonably be expected to have a material adverse effect on the Second Completion;
3. there being no law or order that restricts or prohibits the Second Completion, and there being no bona fide request by any party (or directly or indirectly promoted, instigated, encouraged or initiated by the parties to the Sale and Purchase Agreement) to challenge the Sale and Purchase Agreement or the transactions contemplated by the Sale and Purchase Agreement or to seek to prohibit, change, prevent or significantly delay the Second Completion;
4. the Vendor and the Disposal Company having performed all their obligations, undertakings and covenants required to be performed under the Sale and Purchase Agreement on or before the Second Completion Date, and the Purchaser having received from the Vendor and the Disposal Company certificates signed by their legal authorized representative as a proof for the achievement of the aforementioned;

5. insofar as involving updates to the resolutions of the board of directors and shareholder's resolutions of the Vendor in relation to the First Completion, the Vendor and the Disposal Company having delivered to the Purchaser original copies of the updated versions of the resolutions of the board of directors and shareholder's decisions of the Vendor and the Disposal Company as a proof of their authorization of the signing and delivery of the Sale and Purchase Agreement and the transactions contemplated thereunder; if the Company is required to perform decision-making procedures and disclosure obligations for the transaction contemplated under the Sale and Purchase Agreement in accordance with laws, regulations or administration rules (including the Listing Rules) in effect at the Second Completion or the Company's internal decision-making procedures, such decision-making procedural documents and announcement having been provided;

Insofar as involving updates to the resolutions of the board of directors and shareholder's resolutions of the Purchaser in relation to the First Completion, the Purchaser having delivered to the Vendor and the Disposal Company original copies of the updated versions of the resolutions of the board of directors and shareholder's decisions of the Purchaser as a proof of its authorization to the signing and delivery of the Sale and Purchase Agreement and the transactions contemplated thereunder;

6. all governmental and regulatory registrations, filings and other actions necessary or appropriate for the transactions contemplated by the Sale and Purchase Agreement (including but not limited to filings with administration for market regulation and tax authorities as required by law) having been obtained or completed (if any);
7. the Disposal Company's business license (if necessary) newly issued or changed (subject to specific circumstances) having been issued, the Disposal Equity having been validly registered in the name of the Purchaser with the relevant administration for market regulation, and the legal representative, director(s) and supervisor(s) of the Disposal Company having been effectively registered as designated persons of the Purchaser with the relevant administration for market regulation;
8. all necessary licenses relating to the business of the Disposal Company having been delivered to the Purchaser;
9. except for the liabilities identified in the Sale and Purchase Agreement and indebtedness caused by the Purchaser, the Disposal Company not having any other unsettled or subsisting indebtedness, contingent liabilities, hidden liabilities, unpaid tax or obligations that may increase the Disposal Company's liability as of the Second Completion Date; and the Purchaser having received a confirmation from the Vendor and the Disposal Company's legal authorized representative in respect of the same;

10. there being no outstanding loans between the Disposal Company and its senior management, directors, employees or any other persons, whether recorded in writing or not; and the Purchaser having received a confirmation from the Vendor and the Disposal Company's legal authorized representative in respect of the same;
11. there being no occupation of the Disposal Company's funds by the Vendor or related parties of the Vendor and the Disposal Company; and the Purchaser having received a confirmation from the Vendor and the Disposal Company's legal authorized representative in respect of the same;
12. the Disposal Company and the Vendor not having breached the Lease Agreement, and the Lease Agreement having been subsisting normally within its term and not having been terminated or discharged without the consent of the Purchaser;
13. the Disposal Company and the Vendor having cooperated with the Purchaser (including its advisors) for the completion of the business, legal and financial due diligence, and not having intentionally concealed from the Purchaser or omitted any material matters in the Disposal Company's operations (including but not limited to loans, guarantees, assets, income, costs, litigation, etc.) or falsifying operating results in the due diligence; and the results of such due diligence being reasonably satisfactory to the Purchaser; and
14. the Vendor and the Disposal Company having delivered the relevant documents (including completion confirmation from the Vendor, undertakings as to no indebtedness, business license and legal and title documents etc.) agreed in the Sale and Purchase Agreement to the Purchaser.

In the absence of force majeure, the First Completion Conditions shall be fulfilled within 45 days after the date of the Sale and Purchase Agreement (or such later date as may be agreed by the parties) (the "**First Completion LSD**") and the Second Completion Conditions shall be fulfilled within 90 days after the date of the Sale and Purchase Agreement (or such later date as may be agreed by the parties) (the "**Second Completion LSD**"). If the First Completion Conditions or the Second Completion Conditions are not satisfied or waived (as the case may be) on or before the First Completion LSD or the Second Completion LSD, respectively, due to force majeure, the First Completion LSD or the Second Completion LSD (as the case may be) may be delayed to later dates on which the force majeure events are resolved, which shall in any event be not later than 180 days after the First Completion LSD or the Second Completion LSD (as the case may be).

## Completions

The First Completion shall take place upon the mutual confirmation of the satisfaction or waiver (as the case may be) of the First Completion Conditions and the Second Completion shall take place upon the mutual confirmation of the satisfaction or waiver (as the case may be) of the Second Completion Conditions.

## Compensation

The parties agreed that all liabilities in relation to the Disposal Company arising after the Second Completion shall be the sole responsibility of the Disposal Company and the Purchaser, except for any of such liabilities (including any tax liabilities) which arise as a result of the Vendor or the Company's action(s) before the Second Completion, which shall be the sole responsibility of the Vendor in relation to which the Vendor shall compensate the Purchaser for any relevant loss suffered by the Purchaser.

## Security and guarantee

The Vendor and the Disposal Company have agreed to charge the Disposal Properties to the Purchaser as security and provide a joint and several guarantee to the Purchaser for the performance of the obligations under the Sale and Purchase Agreement, which shall be effective until the Second Completion Date.

## INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company is a company established in the PRC with limited liability and is owned as to 100% of its equity interest by the Vendor as at the date of this announcement and immediately prior to the Second Completion.

The Disposal Company is principally engaged in manufacturing, processing and trading of aluminium products.

Set out below are the financial information of the Disposal Company for the two years ended 31 December 2021 and 2022 prepared in accordance with accounting principles generally accepted in the PRC:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>(Audited)</b>	(Audited)
	<b>RMB</b>	RMB
Net loss before taxation and extraordinary items	<b>(5,815,794)</b>	(21,663,113)
Net loss after taxation and extraordinary items	<b>(101,981,572)</b>	(26,452,541)

As at 30 June 2023, the unaudited net book value of 100% equity interest in the Disposal Company was approximately RMB(149,345,120).



## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

As disclosed in the annual report of the Company for the year ended 31 December 2022, 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, the Group is closely managing its 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. The Group has been seeking to streamline its operations so as to improve its financial position and enhance liquidity. While the Group will continue to be engaged in its principal activities of manufacturing and trading of aluminium products through its subsidiaries, in view of the changes in global and regional economy and increasingly complicated and challenging business environment, the management of the Group has decided to focus on sharpening its competitive edges and optimizing its product portfolio.

In view of the above, the Group had discontinued the production lines of the Disposal Company and leased the assets of the Disposal Company to the Purchaser under the Lease Agreement, with an aim to streamline its non-core businesses. As disclosed in the announcement of the Company dated 16 January 2023, the Company has been assessing the options available in respect of the Disposal Company (including without limitation disposal, leasing or other arrangements) taking into account the business strategy, financial needs and operation plan of the Group.

The Board is of the view that the Disposal provides an opportunity for the Group to realize the value of the Disposal Equity. The Disposal is beneficial to the Group as it provides the Group with funds for its business development, which allows the Group to improve its liquidity and flexibility. It also serves to optimize the assets structure, streamline its non-core businesses and enhance the capital efficiency within the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement were negotiated on an arm's length basis, on normal commercial terms, and the Disposal is and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

It is expected that the Group will record a net gain of approximately HK\$3,956,000 as a result of the Disposal, which is arrived at after taking into account the difference between the Consideration and the carrying value of the Disposal Equity and other costs incurred in connection with the Disposal estimated to be in the amount of approximately HK\$14,027,000.

The actual gain will be determined based on the actual Consideration received by the Group and may be different from the above estimation; and such gain is subject to final audit to be performed by the Company's auditors.

Upon the Second Completion, the Group will cease to hold any interest in the Disposal Company. The Disposal Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

The Group intends to utilize the net proceeds from the Disposal for general working capital.

## **INFORMATION OF PARTIES**

### **Information of the Company and the Group**

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The Group is one of PRC's leading manufacturers of aluminium products, making and selling a large and diverse portfolio of high-quality products to its customers.

### **Information of the Vendor**

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing and trading of aluminium products.

### **Information of the Purchaser**

The Purchaser is a company established in the PRC with limited liability. It is principally engaged in design, manufacturing and sales of industrial furnaces and supporting equipment. Its ultimate beneficial owner is Chen Jianlin\* (陳建林).

## **LISTING RULES IMPLICATIONS**

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 5% but all are below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the terms below have the following meanings:

“Board”	the board of Directors;
“Company”	PanAsialum Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange;
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the aggregate consideration for the Disposal of RMB16,393,548;
“Disposal”	the disposal of the Disposal Equity by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Disposal Company”	Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd.* (昌吉准東經濟技術開發區宏睿鋁業有限公司), a company established in the PRC with limited liability;
“Disposal Equity”	100% equity interest in the Disposal Company to be disposed of by the Vendor and acquired by the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Disposal Properties”	a parcel of land with a total land area of 142,527 square meters (together with buildings erected thereon) located at Aluminium Industrial Park, Wucai Bay, Zhundong, Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區准東五彩灣鋁產業園) and four (4) residential units located in Jimusaer County, Xinjiang Uygur Autonomous Region (新疆維吾爾自治區吉木薩爾縣) owned by the Disposal Company;
“Directors”	the directors of the Company;
“Excluded Assets and Liabilities”	substantially all assets and liabilities of the Disposal Company other than the Disposal Properties, i.e. assets including machinery and equipment, vehicles, account receivables and prepayments and other receivables, and liabilities including trade liabilities, account payables, accruals, tax, salaries payable and other payables, which will not form part of the Disposal;

“First Completion”	the first completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement, following which the Purchaser shall enjoy de facto possession and use of certain specified assets of the Target Company;
“First Completion Conditions”	has the meaning ascribed to it in the paragraph headed “The Sale and Purchase Agreement - Conditions Precedent” in this announcement;
“First Completion Date”	the date of the First Completion, being a date falling within seven (7) working days after the fulfilment or waiver (as the case may be) of the First Completion Conditions;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Lease Agreement”	the lease agreements dated 28 August 2021 and entered into between the Purchaser and the Disposal Company in relation to the lease of certain machinery, equipment, vehicles and land and properties by the Disposal Company to the Purchaser;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Suzhou Boneng Luyao Technology Co., Ltd.* (蘇州博能爐窯科技有限公司), a company established in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 December 2023 entered into by the Vendor, the Purchaser and the Disposal Company in relation to the Disposal;
“Second Completion”	the second completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement;

“Second Completion Conditions”	has the meaning ascribed to it in the paragraph headed “The Sale and Purchase Agreement - Conditions Precedent” in this announcement;
“Second Completion Date”	the date of the Second Completion, being a date falling within seven (7) working days after the fulfilment or waiver (as the case may be) of the Second Completion Conditions;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	PanAsia Aluminium (China) Co., Ltd.* (滎陽鋁業(中國)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

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

Hong Kong, 19 December 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 Dr. Cheung Wah Keung, Mr. Chan Kai Nang and Mr. Man Yiu Kwong, Nick.*

\* *For identification purpose only*