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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, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31,		% of changes
	2023 HK\$'000	2022 HK\$'000 (restated)	
Continuing operations			
Revenue	1,036,675	1,611,202	-35.7%
Gross profit	163,782	223,032	-26.6%
Profit/(loss) for the year attributable to owners of the Company	27,299	(51,612)	N/A
Earnings/(loss) per share			
– Basic and diluted (<i>HK cents per share</i>)	2.3	(4.3)	N/A
Discontinued operation			
Profit/(loss) for the year attributable to owners of the Company	864	(53,011)	N/A
Earnings/(loss) per share			
– Basic and diluted (<i>HK cents per share</i>)	0.1	(4.4)	N/A
Continuing and discontinued operation			
Profit/(loss) for the year attributable to owners of the Company	28,163	(104,623)	N/A
Earnings/(loss) per share			
– Basic and diluted (<i>HK cents per share</i>)	2.4	(8.7)	N/A

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, 2023 (“**Year**”), together with the comparative figures as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	<i>Notes</i>	Year ended December 31, 2023 HK\$’000	Year ended December 31, 2022 HK\$’000 (restated)
Continuing operations			
Revenue	3	1,036,675	1,611,202
Cost of sales		(872,893)	(1,388,170)
Gross profit		163,782	223,032
Distribution and selling expenses		(30,589)	(55,391)
Administrative expenses		(196,970)	(304,790)
Other income	6	36,063	69,510
Other gains/(losses) – net	7	7,692	(1,100)
Finance costs – net		(9,585)	(21,981)
Reversal of impairment loss on trade receivables		22,637	25,702
Gain on disposal of a subsidiary		9,608	–
Profit/(loss) before income tax	8	2,638	(65,018)
Income tax credit	9	24,661	13,406
Profit/(loss) for the year from continuing operations		27,299	(51,612)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	10	864	(53,011)
Profit/(loss) for the year		28,163	(104,623)

	<i>Note</i>	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (<i>HK cents per share</i>)	11		
– Continuing operations		2.3	(4.3)
– Discontinued operation		0.1	(4.4)
		<u>2.4</u>	<u>(8.7)</u>
Profit/(loss) for the year		28,163	(104,623)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(18,666)	(92,880)
Reclassification adjustment on currency translation differences for foreign operations disposed of during the year		(4,351)	–
Release of foreign currency translation reserve upon deregistration of subsidiaries		(133)	–
Total comprehensive income for the year		<u>5,013</u>	<u>(197,503)</u>
Total comprehensive income for the year			
– Continuing operations		9,453	(152,444)
– Discontinued operation		(4,440)	(45,059)
		<u>5,013</u>	<u>(197,503)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2023

	<i>Note</i>	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		425,345	634,661
Right-of-use assets		229,058	295,484
Investment properties		–	21,355
Deferred tax assets		–	2,333
Prepayments for property, plant and equipment		3,002	6,961
		657,405	960,794
Current assets			
Inventories		93,987	101,990
Trade receivables	4	223,119	273,471
Prepayments, deposits and other receivables		146,500	217,947
Income tax recoverable		1,606	–
Pledged bank deposits		82,663	56,136
Cash and cash equivalents		226,239	73,665
		774,114	723,209
Total assets		1,431,519	1,684,003
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		120,000	120,000
Reserves		601,043	596,030
Total equity attributable to owners of the Company		721,043	716,030

	<i>Note</i>	December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,235	829
Borrowings		65,028	231,483
Income tax liabilities		<u>214,746</u>	<u>262,033</u>
		<u>281,009</u>	<u>494,345</u>
Current liabilities			
Trade and bills payables	5	65,896	53,802
Contract liabilities, other payables and accrued charges		115,284	158,592
Borrowings		145,575	162,499
Lease liabilities		1,599	5,144
Deferred income on government grants		12,688	16,690
Income tax liabilities		<u>88,425</u>	<u>76,901</u>
		<u>429,467</u>	<u>473,628</u>
Total liabilities		<u>710,476</u>	<u>967,973</u>
Total equity and liabilities		<u>1,431,519</u>	<u>1,684,003</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 26, 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The summary of material 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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12 HKFRS 7	International Tax Reform – Pillar Two Model Rules Insurance Contract

Except for the below, 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.

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

New Guidance on accounting implications of the abolition of the mandatory provident fund ("MPF") – long service payments ("LSP") offsetting mechanism in Hong Kong issued by the HKICPA.

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("**the Amendment Ordinance**") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the MPF to offset severance payment ("SP") and LSP ("**the Abolition**"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on May 1, 2025 ("**the Transition Date**"). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s MPF contributions and its LSP obligation the accounting for offsetting mechanism could become material in light of the abolition the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (“**the Guidance**”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended December 31, 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

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

There are a number of revised, amendments to standards 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	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 ”) ^{1,2,4}
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) ^{1,2}
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ 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 to 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 ended December 31, 2023, the Group has discontinued the business of investment properties. Accordingly, the results of this segment have been classified as discontinued operation of the Group.

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, 2023

	<u>Continuing operations</u>	<u>Discontinued operation</u>	
	<u>Aluminium products</u>	<u>Investment properties</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue	1,036,675	–	1,036,675
Reportable segment profit before income tax	12,883	864	13,747
Finance costs	(12,967)	–	(12,967)
Loss on disposal of property, plant and equipment, net			
– allocated	(27,630)	–	(27,630)
– unallocated			130
			(27,500)
Written off of property, plant and equipment	(13,286)	–	(13,286)
Written off of prepayments	(12,213)	–	(12,213)
Reversal of impairment loss on inventories	6,772	–	6,772
Depreciation of property, plant and equipment			
– allocated	(61,808)	–	(61,808)
– unallocated			(1,652)
			(63,460)
Depreciation of right-of-use assets			
– allocated	(10,265)	–	(10,265)
– unallocated			(939)
			(11,204)
Reversal of impairment loss on trade receivables	22,637	–	22,637
Income tax credit	<u>24,661</u>	<u>–</u>	<u>24,661</u>

For the year ended December 31, 2022

	Continuing operations	Discontinued operation	
	Aluminium products <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue	1,611,202	–	1,611,202
Reportable segment loss before income tax	(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>

As at December 31, 2023

	Aluminium products HK\$'000
Reportable segment assets	1,421,812
Additions to non-current assets	8,043
Reportable segment liabilities	<u>702,269</u>

As at December 31, 2022

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

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

	Continuing operations		Discontinued operation	
	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Profit/(loss) before income tax				
Reportable segment profit/(loss)	12,883	(56,430)	864	(53,011)
Unallocated finance costs	(93)	(55)	–	–
Unallocated corporate expenses	(10,152)	(8,533)	–	–
Consolidated profit/(loss) before income tax	<u>2,638</u>	<u>(65,018)</u>	<u>864</u>	<u>(53,011)</u>
			December 31, 2023 HK\$'000	December 31, 2022 HK\$'000
Assets				
Reportable segment assets			1,421,812	1,674,202
Deferred tax assets			–	2,333
Unallocated cash and cash equivalents			1,356	3,912
Unallocated corporate assets			<u>8,351</u>	<u>3,556</u>
Consolidated total assets			<u>1,431,519</u>	<u>1,684,003</u>

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	702,269	954,593
Unallocated corporate liabilities	8,207	13,380
	<hr/>	<hr/>
Consolidated total liabilities	710,476	967,973
	<hr/> <hr/>	<hr/> <hr/>

(c) **Geographical information**

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

	Year ended December 31, 2023	Year ended December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Primary geographical markets		
The PRC	325,302	700,816
Australia	27,630	92,904
South East Asia	637,280	739,173
Others	46,463	78,309
	<hr/>	<hr/>
Total	1,036,675	1,611,202
	<hr/> <hr/>	<hr/> <hr/>
Major products/Services		
Sales of goods	1,036,675	1,608,430
Processing fees	–	2,772
	<hr/>	<hr/>
	1,036,675	1,611,202
	<hr/> <hr/>	<hr/> <hr/>
Time of revenue recognition		
At a point in time	1,036,675	1,608,430
Transferred over time	–	2,772
	<hr/>	<hr/>
	1,036,675	1,611,202
	<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:

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	655,802	952,678
Hong Kong	1,603	4,390
Other countries	–	1,393
	<u>657,405</u>	<u>958,461</u>

(d) Information about major customers

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

	Year ended December 31, 2023	Year ended December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	637,280	739,173
Customer B (<i>Note</i>)	N/A	254,549
	<u>637,280</u>	<u>993,722</u>

Note: The corresponding customer did not contribute over 10% of the total revenue of the Group for the year ended December 31, 2023.

4 TRADE RECEIVABLES

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	355,915	424,229
Less: impairment loss recognized	<u>(132,796)</u>	<u>(150,758)</u>
Trade receivables – net	<u>223,119</u>	<u>273,471</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, 2022: Same). The Group does not hold any collateral as security.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

As at December 31, 2023, the ageing analysis of the trade receivables based on due date was as follows:

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	202,582	256,658
1–30 days	19,735	14,153
31–60 days	671	2,026
61–90 days	96	459
91–180 days	35	173
181days–1 year	–	2
	223,119	273,471

5 TRADE AND BILLS PAYABLES

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills payables	65,896	53,802

As at December 31, 2023, the ageing analysis of the Group's trade and bills payables based on invoice date was as follows:

	December 31, 2023	December 31, 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	18,157	32,373
31–60 days	7,439	5,437
61–90 days	2,225	2,276
Over 90 days	38,075	13,716
	65,896	53,802

6 OTHER INCOME FROM CONTINUING OPERATIONS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Government grants ⁽ⁱ⁾	3,865	10,227
Scrap sales	3,526	3,005
Rental income	717	1,289
Customs and other tax refund	9,913	47,316
Write back of other payables	10,867	5,191
Write back of contract liabilities	5,182	–
Others	1,993	2,482
	<u>36,063</u>	<u>69,510</u>

- (i) For the year ended December 31, 2023, government grants mainly include (i) HK\$3,519,000 (year ended December 31, 2022: HK\$9,696,000) received from several PRC government authorities for the development of intellectual property patent, social security allowance and technical renovation of the Group's equipment, and (ii) no government grants 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 (year ended December 31, 2022: HK\$141,000). There were no unfulfilled conditions or contingencies related to these grants. The remaining amounts were transferred from deferred income to consolidated statement of comprehensive income during the respective year.

7 OTHER GAINS/(LOSSES) – NET FROM CONTINUING OPERATIONS

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000 (restated)
Net exchange gains	28	3,613
Effect of lease modification	39	2,264
Gain/(Loss) on settlement of derivative financial instruments	7,492	(6,977)
Gain on deregistration of subsidiaries	133	–
	<u>7,692</u>	<u>(1,100)</u>

8 PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The Group's profit/(loss) before income tax from continuing operations is arrived at after charging/(crediting):

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Auditor's remuneration	2,765	3,135
Cost of inventories recognized as expenses	872,893	1,388,170
Loss on disposal of property, plant and equipment, net	27,500	598
Employee benefit expenses	74,459	115,436
Depreciation:		
– Owned property, plant and equipment	63,460	83,849
– Right-of-use assets	11,204	18,024
Impairment loss on property, plant and equipment	–	67,390
Written off of property, plant and equipment	13,286	–
Written off of prepayments	12,213	–
Impairment loss on prepayments for property, plant and equipment	–	27,838
(Reversal of impairment loss)/impairment loss on inventories	(6,772)	10,629
Legal and professional fees	5,463	3,905
Research and development expenses	43,867	50,898
	<u>43,867</u>	<u>50,898</u>

9 INCOME TAX CREDIT FROM CONTINUING OPERATIONS

For the year ended December 31, 2023, no provision for Hong Kong profits tax has been provided as there is sufficient tax losses to offset with the assessable profits (year ended December 31, 2022: Same).

The Group's operations in the PRC are subject to the PRC corporate income tax. For the year ended December 31, 2023, no provision for PRC corporate income tax has been provided as there is no assessable profit arising in the PRC. 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. The standard PRC corporate income tax rate was 25% for the years ended December 31, 2023 and 2022, except that one of the PRC subsidiaries of the Company was qualified as a High and New Technology Enterprise in December 2022 and was entitled to enjoy a preferential income tax rate of 15% for a period of 3 years.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Hong Kong profits tax		
– current year	–	–
Overseas taxation		
– current year	12,509	6,839
– Over-provision in respect of prior years	(37,170)	(20,245)
	<u>(24,661)</u>	<u>(13,406)</u>

10 DISCONTINUED OPERATION

On December 19, 2023, the Group, through a wholly-owned subsidiary, entered into an agreement with an independent purchaser to dispose of the entire issued share capital in a subsidiary, 昌吉准東經濟技術開發區宏睿鋁業有限公司 (“JSWR”), at the consideration of RMB16,394,000 (equivalent to HK\$18,609,000) in cash. JSWR was principally engaged in property holding in the PRC. On December 30, 2023, the disposal was completed. Upon completion of the disposal, the Group no longer engages in investment properties operation and accordingly, the operation was classified as discontinued operation.

	Year ended December 31, 2023 HK\$'000	Year ended December 31, 2022 HK\$'000
Administrative expenses	(3,244)	(1,158)
Other income	664	694
Change in fair value of investment properties	—	(52,547)
Loss before income tax	(2,580)	(53,011)
Gain on disposal of the discontinued operation	3,444	—
Profit/(loss) from discontinued operation	864	(53,011)

11 EARNINGS/(LOSS) PER SHARE

Basic

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

	Year ended December 31, 2023	Year ended December 31, 2022 (restated)
Profit/(loss) attributable to owners of the Company (<i>HK\$'000</i>)		
Continuing operations	27,299	(51,612)
Discontinued operation	864	(53,011)
	<u>27,299</u>	<u>(53,011)</u>
Weighted average number of ordinary shares in issue less shares held for share award scheme (<i>thousands</i>)	1,199,405	1,199,405
	<u>1,199,405</u>	<u>1,199,405</u>

Diluted

For the years ended December 31, 2023 and 2022, the computation of diluted earnings/(loss) per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive.

12 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2023 (year ended December 31, 2022: Nil).

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

For the year of 2023, despite the challenging global economic climate resulting in the slowdown in global economic growth, the Group continues to review its product segments from time to time and actively fine-tune its business portfolio to minimize controllable operational risks as well as ensure sustainable growth in revenue and profits. On the other hand, the gross profit margin was enhanced steadily through our continuously effective cost control and improvement of operating efficiency.

For the year ended December 31, 2023 (“Year”), the overall sales volume of the Group was approximately 34,724 tonnes, representing a year-on-year decrease of 29.0% compared with that for last year. The Group recorded revenue of approximately HK\$1,036.7 million for the Year, representing a decrease of approximately 35.7% as compared with approximately HK\$1,611.2 million for the year ended December 31, 2022. Gross profit of approximately HK\$163.8 million was recorded, representing a decrease of 26.6% when compared with approximately HK\$223.0 million in 2022. Due to the sustained endeavours in cost containment and enhancements in production efficacy, the gross profit margin of the Group increased to approximately 15.8% for the Year (year ended December 31, 2022: approximately 13.8%). The EBITDA amounted to approximately HK\$87.8 million for the Year (year ended December 31, 2022: approximately HK\$5.8 million). The profit attributable to owners of the Company amounted to approximately HK\$28.2 million for the Year, as compared to the net loss of approximately HK\$104.6 million for the year ended December 31, 2022.

Revenue

The Group's revenue derived from Solar Panels, Consumer Electronics, Industrial Products and Electric Vehicles for the Year was approximately HK\$664.7 million, HK\$144.5 million, HK\$107.2 million and HK\$120.3 million respectively, accounting for approximately 64.1%, 13.9%, 10.4% and 11.6% of the total revenue, respectively. When compared to the year ended December 31, 2022, these indicates a decrease of 10.1% in Solar Panels, 59.1% in Consumer Electronics, and 74.2% in Industrial Products, while Electric Vehicles observed an increase of 16.6%. The overall contraction in revenue was primarily attributable to (i) the drop in the average price of aluminium ingot leading to the drop in the average price of the sales as compared to that of 2022, (ii) the decrement in the sales volume due to the slowdown in the economic growth, and (iii) certain technology under development which are not yet in the mass production stage.

The Group's revenue derived from South East Asia, the PRC, Australia and other countries for the Year was approximately HK\$637.3 million, HK\$325.4 million, HK\$27.4 million and HK\$46.6 million respectively, accounting for approximately 61.5%, 31.4%, 2.6% and 4.5% of the total revenue, respectively.

The Group recorded an overall decrease in all geographic locations, primarily the PRC and South East Asia, representing a decrease of approximately 53.6% and 13.8% for the Year as compared with 2022. Despite the overall decrease was mainly caused by the drop in the average price of aluminum ingot leading to the drop in the average price of the overall sales for the Year as compared to that of 2022, the decrease in the PRC market was mainly due to the sluggish demand for Consumer Electronics and Industrial Products.

Cost of Sales

The Group's cost of sales shrank by 37.1% from approximately HK\$1,388.2 million for the year ended December 31, 2022 to approximately HK\$872.9 million for the Year. Such decrease was mainly due to the decrease in sales volume 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\$163.8 million (December 31, 2022: approximately HK\$223.0 million) and the overall gross profit margin amounted to approximately 15.8% (December 31, 2022: approximately 13.8%). The increase of the Group's overall gross profit margin was primarily due to the increased gross profit margin from Solar Panels and Electric Vehicles, and the continuous effective management of costs and optimisation of product mix.

Distribution and Selling Expenses

Distribution and selling expenses decreased to approximately HK\$30.6 million for the Year from approximately HK\$55.4 million for the year ended December 31, 2022, which was primarily contributed by the decrease in transportation costs, and salaries and benefit expenses. The drop in transportation costs was mainly attributable to a combined effect of 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 Year.

Administrative Expenses

Administrative expenses mainly comprise research and development costs, salaries and benefit expenses, government levies, depreciation charges, reversal of impairment loss on inventories and loss on disposal of fixed assets. Administrative expenses decreased to approximately HK\$197.0 million for the Year from approximately HK\$304.8 million for the year ended December 31, 2022, which was primarily due to a decrease in impairment loss on properties, plant and equipment, impairment loss on prepayments, depreciation and salaries and benefit expenses of the Group offset by increase in loss on disposal of fixed assets for the Year as compared with those for the year ended December 31, 2022.

Other Income

Other income decreased from approximately HK\$69.5 million for the year ended December 31, 2022 to approximately HK\$36.1 million for the Year. Such decrease was primarily contributed by the decrease in custom refunds of our overseas operations and government grants, offset by the gain from write back of contract liabilities.

Other Gains/losses – Net

Other losses was approximately HK\$1.1 million for the year ended December 31, 2022 and other gain was approximately HK\$7.7 million for the Year. The primary contributor to the increase during the Year was the gain on settlement of derivative financial instruments of approximately HK\$7.5 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 gain on settlement of derivative financial instruments–aluminum future contracts was approximately HK\$7.5 million during the year, compared with the loss of approximately HK\$7.0 million for the year ended December 31, 2022.

Finance Income

Finance income increased from approximately HK\$0.7 million for the year ended December 31, 2022 to approximately HK\$3.5 million for the Year primarily attributable to interest income earned on bank deposits. The enhancement in the finance income is a reflection not only of the prudent management of our cash reserves, which led to higher interest earnings, but also of significant improvements in our cash flow management that enabled the Group to increase the bank deposits and consequently, the interest income.

Finance Costs

Finance costs amounted to approximately HK\$13.1 million for the Year compared to approximately HK\$22.6 million for the year ended December 31, 2022. The decrease in finance costs was primarily due to the repayment of bank loans, resulting in a decrease in interests as compared with the year ended December 31, 2022.

Profit/loss before Income Tax for the Year from Continuing Operations

For the reasons stated above, the Group recorded a profit before income tax from continuing operations of approximately HK\$2.6 million during the Year and a loss before income tax of approximately HK\$65.0 million during the year ended December 31, 2022.

Profit/loss before Income Tax for the Year from Discontinued Operation

The profit before income tax from discontinued operation for the Year was approximately HK\$0.9 million as the Company decided to discontinue the business of investment properties segment. The primary contributor to the profit during the Year was gain on disposal of the discontinued operation of approximately HK\$3.4 million offset by the administrative expenses from discontinued operation of approximately HK\$3.2 million. The loss before income tax for the year from discontinued operation for the year ended December 31, 2022 was approximately HK\$53.0 million and it was primarily contributed by fair value loss of investment properties from discontinued operation of approximately HK\$52.5 million.

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 increased from approximately HK\$13.4 million for the year ended December 31, 2022 to approximately HK\$24.7 million for the Year.

OUTLOOK AND PROSPECTS

Looking forward, we are confident in the growth of the aluminium market. Demand is expected to rise gradually across all major end-use sectors, and as the world intensifies efforts to decarbonize global supply chains, the demand for lightweight and low-carbon aluminium products is set to surge.

Our focus remains steadfast on creating sustainable value for our stakeholders. We are dedicated to enhancing our operational efficiencies, pursuing strategic growth opportunities, and contributing to the global movement towards sustainability.

Significant Investment, Material Acquisition and Disposal

Disposal of Entire Equity Interest of PanAsia Enterprises (Jiangmen) Co., Ltd. (榮陽實業(江門)有限公司)*

Reference is made 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. On January 9, 2023, PanAsia Aluminium Limited and PanAsia Aluminium (China) Co., Ltd.* (榮陽鋁業(中國)有限公司) (collectively, “**Vendors**”), PanAsia Enterprises (Nanyang) Co., Ltd.* (榮陽實業(南陽)有限公司) (as the Vendors’ guarantor), Jiangmen Jiantai Enterprises Co., Ltd.* (江門市健泰實業有限公司) (“**Purchaser**”), Jiangmen Zhenyi Enterprises Co., Ltd.* (江門市鎮怡實業有限公司) (as the Purchaser’s guarantor) and PanAsia Enterprises (Jiangmen) Co., Ltd.* (榮陽實業(江門)有限公司) (“**Disposal Company**”) entered into sale and purchase agreement (“**SPA**”), 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) (“**Disposal**”). On March 17, 2023, the Vendors, the Purchaser and the Disposal Company have entered into a waiver letter in relation to, amongst others, certain arrangements in relation to the discharge and release of collaterals in relation to the loans in the total outstanding amount of approximately RMB105.2 million owing by the Disposal Company to a bank in the PRC. The Disposal constituted a major transaction of the Company and the Company has obtained written approval for the SPA and the transactions contemplated hereunder in accordance with Rule 14.44 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Exchange**”) (“**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). Completion took place on March 24, 2023 and the final adjusted consideration was RMB35,971,340.

Based on the final consideration (after adjustment), the Group recorded a net gain of approximately HK\$9.6 million as a result of the Disposal. The actual gain/loss was determined based on the actual amount received by the Group and the obligations of the Group under the SPA (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).

* For identification purpose only

Disposal of 100% Equity Interest of Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd.* (昌吉準東經濟技術開發區宏睿鋁業有限公司)

Reference is made to the announcement of the Company dated December 19, 2023. On December 19, 2023, PanAsia Aluminium (China) Co., Ltd.* (滎陽鋁業(中國)有限公司) (“**Changji Vendors**”), Suzhou Boneng Luyao Technology Co., Ltd.* (蘇州博能爐窯科技有限公司) (“**Changji Purchaser**”), and Changji Zhundong Economic Technology Development District Hongrui Aluminium Co., Ltd.* (昌吉準東經濟技術開發區宏睿鋁業有限公司) (“**Changji Zhundong**”) entered into sale and purchase agreement, pursuant to which, amongst others, the Changji Vendors have conditionally agreed to sell and the Changji Purchaser has conditionally agreed to purchase the entire equity interest in Changji Zhundong at the consideration of RMB16.4 million (“**Changji Disposal**”).

Completion of the Changji Disposal took place on December 30, 2023. Based on the consideration, the Group recorded a net gain of approximately HK\$3.5 million as a result of the Changji Disposal.

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

EVENT AFTER REPORTING PERIOD

Amendments to Share Award Scheme

On March 1, 2024 (“**Amendment Date**”), the Company has amended its share award scheme (the “**Share Awards Scheme**”) by way of adopting a new set of scheme rules (as amended and restated). The Share Award Scheme was adopted on March 3, 2014 which is valid and effective for a term of ten years from its adoption date, subject to any early termination as may be determined by the Board.

The maximum number of Shares to be purchased by the trustee shall not exceed five per cent. (5%) of the issued shares of the Company as at the Amendment Date, i.e. 60,000,000 Shares throughout the term of the Share Award Scheme. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Amendment Date and ending on the tenth (10th) anniversary of the Amendment Date. For details, please refer to the announcement of the Company dated March 1, 2024.

The Share Award Scheme does not constitute a share scheme involving the issue of new Shares as referred to in Chapter 17 of the Listing Rules and hence will only be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2023 and up to the date of this announcement.

* For identification purpose only

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, 2023, the Group's financial position included approximately HK\$226.2 million in cash and cash equivalents, up from approximately HK\$73.7 million as at December 31, 2022, and approximately HK\$82.7 million in pledged bank deposits and time deposits, an increase from approximately HK\$56.1 million as at December 31, 2022. Interest-bearing borrowing stood at approximately HK\$210.6 million, a decrease from approximately HK\$394.0 million as at December 31, 2022, with all borrowings denominated in RMB. The growth in cash reserves and the reduction in debt levels can be attributed to the Group's strategic improvements in credit management, capital allocation, and debt restructuring.

PLEGGED ASSETS

As at December 31, 2023, assets with a total carrying amount of approximately HK\$179.0 million (December 31, 2022: approximately HK\$322.7 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

	Year ended December 31, 2023	Year ended December 31, 2022
Gross Profit Margin ⁽¹⁾	15.8%	13.8%
Return on Equity ⁽²⁾	3.9%	-14.6%
Interest Coverage Ratio ⁽³⁾	1.25	-4.24
	As at December 31, 2023	As at December 31, 2022
Current Ratio ⁽⁴⁾	1.80	1.53
Quick Ratio ⁽⁵⁾	1.58	1.31
Gearing Ratio ⁽⁶⁾	N/A	30.9%
Debt to Equity Ratio ⁽⁷⁾	N/A	44.7%

- (1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of Return on Equity is based on profit attributable to owners of the Company divided by equity attributable to owners of the Company and multiplied by 100%.
- (3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.
- (4) The calculation of Current Ratio is based on current assets divided by current liabilities.
- (5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.
- (6) The calculation of Gearing Ratio is based on 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, 2023 and December 31, 2022, 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 the sales to major customers during the Year, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of 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 gain on derivative financial instruments of approximately HK\$7.5 million during the Year (December 31, 2022: total loss of approximately HK\$7.0 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, 2023 amounted to approximately HK\$16.1 million (December 31, 2022: approximately HK\$197.6 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 (2022: 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, 2023.

CONTINGENT LIABILITIES

As at December 31, 2023, the Group had no significant contingent liabilities (December 31, 2022: Nil).

EMPLOYEE INFORMATION AND REMUNERATION POLICIES

As at December 31, 2023, the Group employed approximately 842 staff (December 31, 2022: approximately 1,179). The Group’s remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share incentives. 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\$74.5 million (year ended December 31, 2022: approximately HK\$115.4 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 C3 of the 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. 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 the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules.

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BOO Limited on this preliminary announcement.

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. Man Yiu Kwong Nick, Dr. Cheung Wah Keung, and Mr. Chan Kai Nang.

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

PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, March 26, 2024

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.