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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)

SUPPLEMENTAL ANNOUNCEMENT

MAJOR TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE DISPOSAL COMPANY

Reference is made to the announcement of PanAsialum Holdings Company Limited (the “**Company**”) dated 9 January 2023 (the “**Announcement**”) in relation to the Sale and Purchase Agreement and the Disposal. Unless the context otherwise requires, terms used herein shall have the same meanings as defined in the Announcement.

The Company would like to provide the following supplemental information in relation to the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the Announcement, the Group has been seeking to streamline its operations so as to improve its financial position and enhance liquidity. The Board is of the view that the Disposal would enable the Group to gradually shift away from capital intensive operations, which would in turn offer more operational flexibility to the Group.

The Group will continue to be engaged in its principal activities of manufacturing and trading of aluminium products through its other subsidiaries after Completion.

As disclosed in the announcements of the Company dated 6 June 2019 and 3 March, 2020, the Group had originally invested in the construction of a new production base on a parcel of land located at Zone A, Heshan Industrial City, Heshan* (鶴山市鶴山工業城A區) (the “**Heshan Production Base**”) for manufacturing and production of high performance and high precision aluminium products (the “**Intended Manufacturing Operations**”).

As disclosed in the interim report of the Company published on 16 September 2022, the progress of the construction of the Heshan Production Base was delayed due to a litigation claim initiated by the Disposal Company as plaintiff on 15 August 2021 against the construction contractor as defendant for illegitimate sub-contracting, quality defects, significant delay, etc. in respect of the construction works of the Heshan Production Base. As at the date of this announcement, as the Intended Manufacturing Operations have not commenced due to the delay in construction of the Heshan Production Base, the Disposal Company has been and remains a trading company with minimal and limited manufacturing operations (approximately 1.85% and 1.86% of manufacturing costs to the revenue of the Disposal Company for the year ended 31 December 2021 and the eleven months ended 30 November 2022, respectively). Therefore, it is the Company's view that the Disposal has no material impact on the manufacturing and trading business of the Group.

In view of the changes in global and regional economy and increasingly complicated and challenging business environment, including events having profound impact such as the outbreak of COVID-19 pandemic and tensions between Mainland China and several major economies, the management of the Group has decided to focus on sharpening its competitive edges and optimizing its product portfolio while at the same time adopting a more prudent approach towards expansion and further significant capital commitments. As at the date of this announcement, it is expected that further capital investment in the amount of approximately RMB241,000,000 will be required for the development of the Heshan Production Base and initial working capital in the amount of approximately RMB150,000,000 will be required to finance the commencement of the Intended Manufacturing Operations at the Heshan Production Base. The Disposal would enable the Group to maintain a more flexible liquidity position and avoid further capital intensive investments, which is consistent with the Group's business strategy and is considered to be appropriate in the circumstance.

Upon Completion, the Group will conduct its manufacturing operations solely through its production base located at Long Sheng Industrial Area, No. 6 Long Sheng Road, Wolong District, Nanyang City, Henan Province, PRC, which is well capacitated to meet the Group's orders in its production plan.

In furtherance of the business strategy of the Company, as disclosed in the 2021 annual report of the Company published on 22 April 2022, the Group had discontinued the production lines in its production facility located in Xinjiang, the PRC (the "**Xinjiang Production Base**"), with an aim to streamline its non-core businesses. As at the date of this announcement, the Xinjiang Production Base is leased by the Group to an independent third party. The Company is assessing the options available and will make suitable arrangements for the Xinjiang Production Base (including without limitation disposal, leasing or other arrangements) taking into account the business strategy, financial needs and operation plan of the Group. The Company will update the Shareholders and potential investors in respect of any material development on the arrangement regarding the Xinjiang Production Base by way of announcement(s) as and when appropriate. As at the date of this announcement, save as disclosed above, the Company has no intention and is not in negotiation to further dispose of or terminate the manufacturing operations of the Group.

As (i) the Intended Manufacturing Operations have not commenced due to the delay in construction of the Heshan Production Base as a result of legal disputes; (ii) the Disposal Company is engaged in a trading business and has no sales to external customers; and (iii) the business strategy of the Group to focus on its stable and internal development and avoid further significant capital commitments, the Company considers that the Disposal has no material impact on the manufacturing and trading business of the Group.

INFORMATION OF PARTIES

Information of the Purchaser

The Purchaser's ultimate beneficial owners are Zhu Yupeng (朱玉朋), Liu Guozhu (劉國柱) and Deng Ming (鄧明), who are indirectly interested in 40%, 40% and 20% of the equity interest in the Purchaser, respectively.

Information of the Purchaser's Guarantor

The Purchaser's Guarantor's ultimate beneficial owners are Liu Guozhu (劉國柱) and Li Jiming (黎繼明), who are interested in 82% and 18% of the equity interest in the Purchaser's Guarantor, respectively.

Save as disclosed above, all other information contained in the Announcement remains unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 16 January 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.