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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PanAsialum Holdings Company Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

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

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 19 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholder's approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I – FINANCIAL INFORMATION	20
APPENDIX II – PROPERTY VALUATION REPORT	22
APPENDIX III – GENERAL INFORMATION	28

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 9 January 2023 in relation to the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“Completion”	the completion of the Disposal in accordance to the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Disposal of RMB34.8 million, subject to adjustment
“Disposal”	the proposed disposal of the Disposal Equity by the Vendors to the Purchaser pursuant to the Sale and Purchase Agreement
“Disposal Company”	PanAsia Enterprises (Jiangmen) Co., Ltd.* (榮陽實業 (江門) 有限公司), a company established in the PRC with limited liability
“Disposal Equity”	the entire equity interest in the Disposal Company held by the Vendors as at the Latest Practicable Date and immediately before Completion
“Director(s)”	the director(s) of the Company
“Excluded Assets and Liabilities”	all assets and liabilities of the Disposal Company, but excluding the Land Use Rights and the Loans, as at the date of Completion
“Final Long Stop Date”	a day falling 60 working days after the date of the Sale and Purchase Agreement
“First Long Stop Date”	a day falling 30 working days after the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Land Use Rights”	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)
“Latest Practicable Date”	20 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans in the total outstanding amount of RMB105.2 million owing by the Disposal Company to a bank in the PRC
“PanAsia Aluminium”	PanAsia Aluminium Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“PanAsia Aluminium (China)”	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
“PRC”	the People’s Republic of China
“Purchaser”	Jiangmen Jiantai Enterprises Co., Ltd.* (江門市健泰實業有限公司), a company established in the PRC with limited liability
“Purchase’s Guarantor”	Jiangmen Zhenyi Enterprises Co., Ltd.* (江門市鎮怡實業有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 January 2023 entered into by the Purchaser, the Vendors, the Disposal Company, the Vendors’ Guarantor and the Purchaser’s Guarantor in relation to the Disposal

DEFINITIONS

“Share(s)”	the share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transition Period”	the period commencing from the date of Completion and ending on a day falling one (1) year after the date of Completion (or such later date as may be agreed by the parties)
“Vendors”	PanAsia Aluminium and PanAsia Aluminium (China)
“Vendors’ Guarantor”	PanAsia Enterprises (Nanyang) Co., Ltd.* (榮陽實業(南陽)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Waiver Letter”	the waiver letter entered into between the Vendors, the Purchaser and the Disposal Company on 17 March 2023 in relation to, amongst others, the waiver of the condition precedent numbered 9 under the Sale and Purchase Agreement and certain arrangements in respect of the discharge and release of collaterals in relation to the Loans
“%”	per cent

In this circular, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC or Chinese government authorities or departments and their English translations, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Pan Zhaolong (*Chairman*)

Mr. Ho Pak Yiu

Independent non-executive Directors:

Mr. Leung Ka Tin

Dr. Cheung Wah Keung

Mr. Chan Kai Nang

Mr. Man Yiu Kwong Nick

Registered office:

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Hong Kong

24 March 2023

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement and the supplemental announcements of the Company dated 18 January 2023 and 17 March 2023 in relation to the Sale and Purchase Agreement, the Waiver Letter and the Disposal.

LETTER FROM THE BOARD

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% of the entire issued share capital of the Company) as at the date of the Announcement. As such, no general meeting will be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder as is permitted under Rule 14.44 of the Listing Rules.

The primary purpose of this circular is to provide you with, among other matters, (i) the details of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) other information required to be included in this circular under the requirements of the Listing Rules.

THE DISPOSAL

On 9 January 2023 (after trading hours), the Vendors, the Vendors' Guarantor, the Purchaser, the Purchaser's Guarantor and the Disposal Company entered into 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 RMB34.8 million (subject to adjustment).

On 17 March 2023, the Vendors, the Purchaser and the Disposal Company have entered into the Waiver Letter in relation to, amongst others, the waiver of the condition precedent numbered 9 under the Sale and Purchase Agreement and certain arrangements in relation to the discharge and release of collaterals in relation to the Loans.

THE SALE AND PURCHASE AGREEMENT

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

Date

9 January 2023

Parties

- (1) PanAsia Aluminium Limited, i.e. one of the Vendors;
- (2) PanAsia Aluminium (China) Co., Ltd.* (榮陽鋁業(中國)有限公司), i.e. one of the Vendors;
- (3) PanAsia Enterprises (Jiangmen) Co., Ltd.* (榮陽實業(江門)有限公司), i.e. the Disposal Company;
- (4) Jiangmen Jiantai Enterprises Co., Ltd.* (江門市健泰實業有限公司), i.e. the Purchaser;
- (5) PanAsia Enterprises (Nanyang) Co., Ltd.* (榮陽實業(南陽)有限公司), i.e. the Vendors' Guarantor; and
- (6) Jiangmen Zhenyi Enterprises Co., Ltd.* (江門市鎮怡實業有限公司), i.e. the Purchaser's Guarantor.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Purchaser's Guarantor and their respective ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons.

To the best of the Directors' knowledge, information and belief of the Directors having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser; or (b) the Purchaser's Guarantor on the one hand, and (c) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the transaction on the other hand.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, amongst others, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Disposal Equity, free from all encumbrances. PanAsia Aluminium will sell 55% of the equity interest in the Disposal Company (representing all of its shareholding in the Disposal Company) and PanAsia Aluminium (China) will sell 45% of the equity interest in the Disposal Company (representing all of its shareholding in the Disposal Company) to the Purchaser.

The table below sets out the registered capital of the Disposal Company and the shareholding of the shareholders of the Disposal Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion:

Name of shareholder	As at the Latest Practicable Date		Immediately upon Completion	
	Registered Capital (Note) RMB (million)	Shareholding (%)	Registered Capital (Note) RMB (million)	Shareholding (%)
PanAsia Aluminium	165.0	55	–	–
PanAsia Aluminium (China)	135.0	45	–	–
The Purchaser	–	–	300.0	100
Total	300.0	100	300.0	100

Note: As at the Latest Practicable Date, the paid-in registered capital of the Disposal Company is RMB92,010,304 (of which approximately 23.92% and 76.08% of the paid-in registered capital was paid by PanAsia Aluminium and PanAsia Aluminium (China), respectively) and the unpaid registered capital of the Disposal Company is RMB207,989,696. Upon Completion, the Purchaser will assume the obligation to pay the unpaid registered capital of the Disposal Company in the sum of RMB207,989,696.

LETTER FROM THE BOARD

Consideration

The Consideration for the Disposal is RMB34.8 million, subject to adjustment as set out in the paragraph headed “Adjustment” below.

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser with reference to (i) the appraised value of the Disposal Equity of approximately RMB24.0 million (excluding the value of the Excluded Assets and Liabilities) based on the valuation prepared by an independent valuer using asset-based approach; (ii) the prevailing market conditions; and (iii) the operational and financial performance of the Disposal Company.

The Board has reviewed the valuation report prepared by APAC Asset Valuation and Consulting Limited (the full text of which is set out in Appendix II to this circular) in respect of the Land and the underlying valuation methodology, and has discussed with the valuer in that regard. In particular, the Company was informed by the valuer that in a typical valuation assignment, physical inspection of the subject property is required in internationally recognized valuation standards, such as the International Valuation Standards (“**IVS**”) and the Royal Institution of Chartered Surveyor (“**RICS**”) Valuation - Global Standards. According to the RICS Valuation - Global Standards, if the valuer is unable to inspect the property due to certain limitations, the valuer has to use their professional judgments to determine if the information obtained is adequate for the purpose of the valuation. Explanation was provided by the valuer to the Company that it believes using video call for inspection of the property is fair and reasonable. The property is under construction works and even if the valuer inspects the property on site, most of the areas of the construction site would not be accessible. As the valuer could visually inspect the property by using video call and conduct subsequent discussions with the Company, the valuer believes adequate information for the valuation has been obtained.

Taking into account the (i) experience and professional qualifications of the valuer; (ii) the valuation report was prepared in accordance with the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors; and (iii) the explanation provided by the valuer in respect of video inspection of the property and confirmation that adequate information has been obtained for the valuation, the Company considers that the bases adopted by the valuer are fair and reasonable.

Adjustment

The Disposal Company has borrowed the Loans from a bank in the PRC, under which an aggregate amount of approximately RMB105.2 million remains outstanding (the “**Current Loan Amount**”). As the Loans contain revolving facilities which may be drawn or repaid from time to time during the term of such facilities according to the funding needs of the Group, the aggregate outstanding amount under the Loans may change during the period from the date of the Sale and Purchase Agreement to the date of Completion. The Disposal Company and the Vendors will update and confirm the actual outstanding amount under the Loans and relevant details on the day before the date of Completion (the “**Actual Loan Amount**”).

LETTER FROM THE BOARD

The Consideration shall be adjusted in the following manner:

$$\text{Consideration} = \text{RMB34.8 million} - \left(\frac{\text{Actual Loan}}{\text{Amount}} - \frac{\text{Current Loan}}{\text{Amount}} \right)$$

As at the Latest Practicable Date, based on the Company's assessment on the conditions of the Loans, the maximum Consideration (after adjustment) will be RMB140 million in the scenario that the Consideration is subject to a maximum extent of adjustment (i.e. the Actual Loan Amount being RMB0). It is expected that the adjustment to the Consideration will not result in any of the applicable percentage ratios exceeding 75% nor give rise to any change in classification in respect of the Disposal pursuant to Chapter 14 of the Listing Rules.

Payment

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

- (a) RMB8,330,072 (subject to adjustment) shall be paid by the Purchaser to PanAsia Aluminium on the day falling four (4) months after Completion; and
- (b) RMB26,492,368 (subject to adjustment) shall be paid by the Purchaser to PanAsia Aluminium (China) on the day falling four (4) months after Completion.

Taking into account (i) the relatively substantial period of time required for completion and satisfaction of relevant foreign exchange procedures and regulations in respect of the cross-border transfer of the part of Consideration to PanAsia Aluminium (China) from the PRC to Hong Kong; and (ii) the time required for the registration and filing procedures in relation to a change in shareholder of the Disposal Company, including but not limited to those with government authorities such as the Administration for Market Regulation of Jiangmen, Tax Administration, Administration of Customs and Administration of Foreign Exchange; the Company considers that the four (4) months' payment period is fair and reasonable.

The part of Consideration to be paid by the Purchaser to PanAsia Aluminium and PanAsia Aluminium (China) is in proportion to their respective contribution to the paid-in registered capital of the Disposal Company.

Conditions Precedent

Completion is conditional on the following conditions being satisfied or waived (if applicable):

1. the Sale and Purchase Agreement and the transactions contemplated thereunder having been approved by the Shareholders at a general meeting of the Company convened or by way of written resolutions in accordance with the Listing Rules;

LETTER FROM THE BOARD

2. the Group having obtained all necessary approvals, including without limitation approvals from the Board, relevant governmental authorities (including but not limited to approvals required by the Stock Exchange or in accordance with applicable laws in relevant jurisdictions) for the Sale and Purchase Agreement and the transactions contemplated thereunder;
3. the shareholders or board of directors (as the case may be) of the Vendors having passed resolution(s) approving the signing of the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with their respective articles of association;
4. resolution(s) of the Vendors' Guarantor having been passed to approve the signing of the Sale and Purchase Agreement and the performance of its guarantee obligations thereunder in accordance with its articles of association;
5. all approvals, consents, authorizations, registration and filings from governments (if applicable) or third parties (including banks and creditors) in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained (except for those to be obtained after Completion), and such approvals, consents, authorizations, registration and filings not having been revoked or cancelled;
6. the Disposal Company having furnished the Purchaser with enquiry records issued by the land registration authority of the conditions of all properties of the Disposal Company, and such records being consistent with the information of properties disclosed in the Sale and Purchase Agreement;
7. the Sale and Purchase Agreement and the transactions contemplated thereunder having been approved by the Purchaser's shareholder(s) by way of resolution(s) in accordance with the articles of association of the Purchaser;
8. resolution(s) of the Purchaser's Guarantor having been passed to approve the signing of the Sale and Purchase Agreement and the performance of its guarantee obligations thereunder in accordance with its articles of association; and
9. the bank having agreed that new collaterals will be provided by the Purchaser for the Loans and the form of such collaterals; and the bank having confirmed in writing that all collaterals provided by the Vendors and their affiliates in relation to the Loans will be released and discharged upon the registration of the Purchaser as shareholder of the Disposal Company (except for charges over the Land Use Rights).

Each of the parties to the Sale and Purchase Agreement shall use its best effort to ensure the satisfaction or waiver (as the case may be) of the above conditions precedent as soon as practicable and, in any event, on or before a day falling 30 working days after the date of the Sale and Purchase Agreement (i.e. the First Long Stop Date). If any of the conditions precedent is not satisfied or waived (as the case may be) on or before the First Long Stop Date, the Vendors are entitled to by notice in writing to the Purchaser delay the long stop date to a later day (which shall be on or before a day falling 60 working days after the date of the Sale and Purchase Agreement (i.e. the Final Long Stop Date)). The parties may by mutual agreement extend the Final Long Stop Date.

LETTER FROM THE BOARD

As at the Latest Practicable Date, all conditions have been fulfilled or waived. As certain conditions precedent have not been satisfied or waived as at the First Long Stop date, the Vendors have given written notice to the Purchaser to delay the long stop date to the Final Long Stop Date.

Pursuant to the Waiver Letter, the condition precedent numbered 9 has been waived by the Vendors.

If any of the conditions precedent are not satisfied or waived (as the case may be) on or before the Final Long Stop Date, the Vendors are entitled to terminate the Sale and Purchase Agreement by written notice to the Purchaser, and the Sale and Purchase Agreement shall lapse (except for the continuing provisions) and each of the parties shall be released from its obligations thereunder, except for any antecedent breaches.

The conditions numbered 1 to 6 above may be waived by the Purchaser, and the conditions numbered 7 to 9 above may be waived by the Vendors.

Excluded Assets and Liabilities

Pursuant to the Sale and Purchase Agreement, except for the Land Use Rights, construction in progress and the Loans, all the Excluded Assets and Liabilities shall be disposed of and/or settled by the Vendors at their expenses within the Transition Period in the following manner:

Excluded Assets and Liabilities	Net book value as at 30 November 2022 (RMB)	Disposal/Settlement Arrangement
Inventory, accounts, other receivables and prepayments, certain property, plant and equipment, and cash and cash equivalents	209,939,460	The parties shall confirm the details of such assets on the day before the date of Completion. Such assets are to be recovered or disposed of within the Transition Period, and the proceeds of which shall upon receipt be paid to a bank account designated by the Vendors within three (3) working days. For receivables due for payment from debtors after the Transition Period, the Purchaser will confirm with the Vendors on whether such receivables are to be settled by early repayment or loan assignment (as appropriate).
Accounts and other payables, accrued charges, and tax liabilities	165,801,840	Such liabilities are to be settled or repaid by the Vendors during the Transition Period, and the Vendors shall hold the Disposal Company harmless from risks of litigation and arbitration. For payables due for payment to creditors after the Transition Period, the Vendors will confirm with the Purchaser on whether such payables are to be settled by early repayment or loan assignment (as appropriate).

Taking into account the Excluded Assets and Liabilities, 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 and the Loans.

LETTER FROM THE BOARD

Completion

Completion shall take place upon the satisfaction or waiver (as the case may be) of the conditions precedent.

Pursuant to the Waiver Letter, the Purchaser has undertaken to the Vendors that:

- (i) the Purchaser shall within 15 working days after the registration of the Purchaser as shareholder of the Disposal Company provide assistance to the Disposal Company for the full repayment of the principal amount and interests accrued under the Loans and cause all the collaterals provided by the Vendors and their affiliates to be discharged and released. The Purchaser shall be labile for the additional costs associated with the repayment of the Loans (including any bank charges arising from early repayment of the Loans (except for principal amount and interest accrued)); or
- (ii) the Purchaser shall within 15 working days after the registration of the Purchaser as shareholder of the Disposal Company provide new collaterals for the Loans replacing the existing collaterals, and procure that all the collaterals provided by the Vendors and their affiliates shall be released and discharged.

(the “Undertakings”)

Pursuant to the Undertakings, 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.

Any breach of the Undertakings will be construed as and deemed to be a breach of the Sale and Purchase Agreement. In the event of such breach, (i) the Purchaser shall pay to the Vendors a daily penalty of 0.3% of the Consideration; and (ii) if the delay in performance of obligations exceeds 30 days, the Vendors may unilaterally terminate the Sale and Purchase Agreement and seek damages from the Purchaser. The Purchaser shall provide assistance to the Vendors and take all necessary and appropriate actions to restore the Disposal Company to the status before the entering into of the Sale and Purchase Agreement, including but not limited to withdrawing the registration made with the government authorities in respect of the transfer of the Disposal Equity.

In view of the abovementioned mechanism, the Company considers that the Waiver Letter is negotiated on an arm’s length basis and on normal commercial terms, and the transaction contemplated thereunder is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Company considers that the Waiver Letter does not involve a material change of the rights and obligations of the parties under the Sale and Purchase Agreement and therefore does not constitute a material variation of the terms of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Indemnity

The Vendors have undertaken to indemnify the Purchaser against, and to pay to the Disposal Company, such damages in relation to (i) third party liabilities arising before the date of Completion, or (ii) relevant regulatory penalties or any tax due for payment, penalties or delayed payment in respect of taxation arising after the date of Completion but associated with the operating activities of the Disposal Company before the date of Completion, except those within the knowledge of or disclosed to the Purchaser upon the entering into of the Sale and Purchase Agreement (the “**Indemnity**”). The Vendors’ Guarantor has provided a guarantee in relation to all liabilities which may be incurred by the Vendors in respect of the Indemnity.

Guarantees

The Vendors’ Guarantor has undertaken to unconditionally guarantee all liabilities which may be incurred by the Vendors in respect of their obligations under the Sale and Purchase Agreement up to six (6) months after the maturity of the Loans.

The Purchaser’s Guarantor has undertaken to unconditionally guarantee all liabilities which may be incurred by the Purchaser in respect of its obligations under the Sale and Purchase Agreement up to six (6) months after the maturity of the Loans.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Group will record a net gain of approximately HK\$12,118,000 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\$603,000.

The actual gain will be determined based on the actual Consideration (after adjustment) 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 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 THE DISPOSAL COMPANY

The Disposal Company is a company established in the PRC with limited liability, the entire equity interest in which is beneficially owned by the Vendors (55% equity interest held by PanAsia Aluminium and 45% equity interest held by PanAsia Aluminium (China)) as at the Latest Practicable Date and immediately prior to Completion. The Disposal Company is principally engaged in trading of aluminium products.

LETTER FROM THE BOARD

Set out below are the financial information of the Disposal Company for the two years ended 31 December 2020 and 2021 prepared in accordance with accounting principles generally accepted in the PRC:

	For the year ended 31 December	
	2021	2020
	(Audited)	(Audited)
	RMB	RMB
Revenue	664,970,722	285,553,193
Net (loss)/profit before taxation	(7,487,828)	6,654,598
Net (loss)/profit after taxation	(7,999,554)	6,654,598

As at 30 November 2022, the unaudited net book value of the entire equity interest in the Disposal Company (after deducting the net book value of the Excluded Assets and Liabilities) was approximately RMB23,118,000.

The Disposal Company has borrowed the Loans from a bank in the PRC, under which an aggregate amount of approximately RMB105.2 million remains outstanding.

Land Use Rights

The Disposal Company holds the Land Use Rights, being the land use rights for a parcel of land (together with buildings erected thereon and construction in progress) 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) (the “**Land**”). The term of the Land Use Rights will end on 10 March 2070. As at the Latest Practicable Date, the Land Use Rights are charged to a bank in the PRC.

As at 31 December 2021, the fair value and carrying amount of the Land Use Rights (together with buildings erected thereon and construction in progress) were HK\$148.9 million (approximately RMB137.0 million) and HK\$139.4 million (approximately RMB128.3 million) respectively. The appraised value of the Land is approximately RMB137,000,000 as at 31 December 2022, based on a valuation report issued by APAC Asset Valuation and Consulting Limited, an independent professional valuer engaged by the Company, the full text of which is set out in Appendix II to this circular.

As disclosed in the announcement of the Company dated 3 March 2020, the Disposal Company has entered into a land use right transfer agreement with the Ministry of Natural Resources of Heshan City on 11 March 2020 (the “**Transfer Agreement**”), pursuant to which the Land Use Rights shall be transferred to the Disposal Company at the consideration of RMB46,000,000. Pursuant to the Transfer Agreement, the Disposal Company shall be liable for (i) a daily penalty of 1% of the total consideration for delay in completion of the construction works; and (ii) a penalty of 20% of the total consideration multiplied by the proportion of unutilized land if the proportion of the floor area of land under construction against the total floor area land is less than 4/5, in which circumstance the Ministry of Natural Resources of Heshan City is also entitled to resume the land use rights of the unutilized land at a price in proportion to the unutilized floor area with reference to the total consideration without interest (the “**Remedies**”).

LETTER FROM THE BOARD

As at the Latest Practicable Date, due to the delay in construction work as a result of the Litigation 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 defined below), completion of construction has not occurred and the proportion of the floor area of land under construction against the total floor area land is less than 4/5. It is the view of the Company's legal advisers as to the laws of the PRC that the Disposal Company is in breach of the Transfer Agreement and the Ministry of Natural Resources of Heshan City is entitled to the Remedies.

Based on the Company's estimation, the maximum monetary compensation in respect of the delay in construction and unutilized land is approximately RMB21.4 million as at the estimated date of Completion on 31 March 2023.

Pursuant to the Sale and Purchase Agreement, neither the Vendors nor the Vendors' Guarantor are liable for any obligations arising from the Remedies or the Land Use Rights after Completion. In addition, in view of the nature and reason for the delay in completion and insufficiency of utilization proportion (i.e. due to the Litigation), the Company considers that the risk of a claim for the Remedies is low. In the unlikely event that a claim is instituted against the Disposal Company for the Remedies, the Company will initiate proceedings against the contractor to recover the damages arising therefrom.

LETTER FROM THE BOARD

The Loans

Set forth below are details of the Loans, all of which were entered into between the Group as borrower and Jiangmen Rural Commercial Bank Company Limited, Huan City Branch (江門農村商業銀行股份有限公司環市支行) as lender:

	Loan agreements	Date of agreement	Maturity date	Collateral
1.	Loan Agreement for working capital	16 August 2022	10 August 2025	Mortgages over the Land Use Rights provided by the Disposal Company on 1 April 2022 and 30 April 2020 to secure all the outstanding loans owing to the lender
2.	Loan Agreement for fixed assets	4 September 2019	20 July 2024	
3.	Loan Agreement for fixed assets	26 September 2019	20 July 2024	
4.	Loan Agreement for fixed assets	26 November 2019	20 September 2024	
5.	Loan Agreement for fixed assets	7 November 2019	20 September 2024	
6.	Loan Agreement for fixed assets	31 March 2020	20 January 2025	
7.	Loan Agreement for fixed assets	9 May 2020	20 April 2025	
8.	Loan Agreement for fixed assets	19 January 2021	20 December 2025	
9.	Agreement for export orders financing	21 October 2022	28 February 2023	
10.	Agreement for export orders financing	27 October 2022	18 February 2023	
11.	Agreement for export orders financing	25 November 2022	24 March 2023	
12.	Agreement for export orders financing	14 December 2022	6 April 2023	
13.	Agreement for export orders financing	4 January 2023	27 April 2023	

INFORMATION ON THE 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 PanAsia Aluminium

PanAsia Aluminium is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding and provision of management services.

LETTER FROM THE BOARD

Information of PanAsia Aluminium (China)

PanAsia Aluminium (China) is a company established in the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company and 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 manufacturing of automobile parts, investment, property leasing and property management. Its 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 Vendors' Guarantor

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

Information of the Purchaser's Guarantor

The Purchaser's Guarantor is a company established in the PRC with limited liability. It is principally engaged in manufacturing and sale of automobile and motorbike parts, moulds and air conditioner parts. Its ultimate beneficial owner is 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.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal Company has been loss-making since its establishment in 2021. For the financial year ended 31 December 2021 and for the 11 months ended 30 November 2022, net losses of approximately HK\$8.0 million and HK\$73.0 million were recorded. The Disposal Company is still in the investment and development stage in respect of the Intended Manufacturing Operations (as defined below). Net losses recorded for the financial years ended 31 December 2021 and 2022 were mainly attributable to expenses incurred by the Disposal Company in its early stage of development, including but not limited to tax, labour costs, finance costs and other sundry expenses etc. As disclosed in the interim report of the Company published on 16 September 2022, it is expected that the market environment will remain complicated, challenging and volatile, with expected fluctuation in raw material prices and continuous pressure on the sales performance and profitability of the Group in 2022 under the influence of surging inflation, intensified market competition, global shortage of chip supply, and rising interest rates. In view of the increasing market and business uncertainties, the Group will put its focus on controlling operation risks stringently, internal management reform and technology upgrade. The Group has been seeking to streamline its operations so as to improve its financial position and enhance liquidity.

LETTER FROM THE BOARD

The Board is of the view that the Disposal would enable the Group to gradually shift away from capital intensive investments, which would in turn offer more operational flexibility to the Group. The Disposal would also benefit the Group by improving its debts and gearing positions. The Board is of the view that the Disposal provides an opportunity for the Group to realize the value of the Disposal Equity and Land Use Rights held through the Disposal Company. The Group intends to utilize the net proceeds from the Disposal for general working capital, which will be used to settle trade debts and day-to-day operating expenses of the Group. The Disposal is beneficial to the Group as it provides the Group with funds for its business development, which allows the Group to meet liquidity development needs and diversify the funding sources of the Group. It also serves to optimize the assets structure, increase capital efficiency and enhance operational capabilities of the Group.

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

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 (the “**Litigation**”). As at the Latest Practicable Date, 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). The sales of the Disposal Company are of intra-group nature as the Disposal Company is still in the development stage (in respect of the Heshan Production Base) and has no external customers. 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 Latest Practicable Date, 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 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.

LETTER FROM THE BOARD

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. 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 principally engaged in a trading business and has no sales to external customers; and (iii) it is 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.

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 Latest Practicable Date, 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 Shareholders and potential investors in respect of any material development on the arrangement concerning the Xinjiang Production Base by way of announcement(s) as and when appropriate. As at the Latest Practicable Date, save as disclosed above, the Company has no intention, arrangement, agreement or understanding and is not in negotiation to further downsize, dispose of or terminate the trading and manufacturing of aluminium products operations of the Group.

The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Sale and Purchase Agreement (including the Waiver Letter) are on normal commercial terms and fair and reasonable, and the Disposal contemplated thereunder is in the interest of the Company and the Shareholders as a whole.

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 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.

Under Rule 14.44 of the Listing Rules, written shareholders' approval for the Sale and Purchase Agreement and the transactions contemplated thereunder may be obtained by way of shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

LETTER FROM THE BOARD

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 the Announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder; and therefore none of them is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no general meeting will be convened for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder as is permitted under Rule 14.44 of the Listing Rules.

RECOMMENDATION

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

The Directors would recommend the Shareholders to vote in favour of the Sale and Purchase Agreement and the transactions contemplated thereunder if a physical meeting were to be held.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,
For and on behalf of the board of Directors of
PanAsialum Holdings Company Limited
Pan Zhaolong
Chairman and Executive Director

1. FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 is disclosed in the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.palum.com/en/home.aspx>).

Annual report for the year ended 31 December 2019 (pages 38 to 133):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051401150.pdf>

Annual report for the year ended 31 December 2020 (pages 38 to 115):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800653.pdf>

Annual report for the year ended 31 December 2021 (pages 39 to 113):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201803.pdf>

Interim report for the six months ended 30 June 2022 (pages 5 to 22):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0916/2022091601050.pdf>

2. INDEBTEDNESS

At the close of business on 31 January 2023, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the total indebtedness of the Group amounted to approximately HK\$436 million which comprised:

- (i) bank and other borrowings of approximately HK\$421 million, which were secured by the followings:
 - guarantees of the Company and certain subsidiaries of the Group;
 - guarantees of a former executive director of the Company;
 - guarantees of a director of the Company;
 - guarantees of a state-owned enterprises of the PRC;
 - pledge of the Group's certain property, plant and equipment and right-of-use assets;
 - pledge of the Group's certain accounts receivable;
 - pledge of the Group's certain bank deposits; and
 - pledge of share capital of a subsidiary of the Group.
- (ii) loan interest payables of approximately HK\$10 million; and
- (iii) lease liabilities of approximately HK\$5 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals and other payables in the ordinary course of business, at the close of business on 31 December 2022, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Sale and Purchase Agreement and the transactions contemplated thereunder and the present financial resources available to the Group, including internally generated funds, and other available banking and other facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the manufacturing and trading of aluminium products.

Projections for 2023 show a challenging business environment ahead. Shortages and cost increases of 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.

The Group will continue to respond to the unfavourable factors to ensure the stable development of the Group by adhering to our original intention, maintaining our competitive edges and diversifying product portfolio with a strong focus on high-value-added products. The Group has also been actively seizing market opportunities and developed the Solar Panels, Consumer Electronics and Electric Vehicles markets. These factors together with our effective management of costs continued to improve our gross profit margin.

While the Group continues to dedicate its efforts to maximise returns to the Shareholders, it will closely monitor the market sentiment, evaluate its business and opportunities on hand and make appropriate adjustments accordingly. The Group may also consider to pursue opportunities for further business developments or realise its assets if thought fit with a view to enhancing its financial flexibility.

The following is the text of a property valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 31 December 2022 of the Property to be disposed of by the Group.



APAC Asset Valuation and Consulting Limited

5/F., Blissful Building, 243–247 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0059

Fax: (852) 2951 0799

PanAsialum Holdings Company Limited
Unit 5, 17/F, Nanyang Plaza,
57 Hung To Road, Kwun Tong,
Kowloon, Hong Kong

24 March 2023

Dear Sirs,

RE: A PROPOSED INDUSTRIAL COMPLEX, HESHAN INDUSTRIAL ZONE (ZONE A), HESHAN, JIANGMEN, GUANGDONG PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPERTY”) (THE “PROPERTY”) (THE “PRC”)

In accordance with the instructions from PanAsialum Holdings Company Limited (the “Company”) for us to value the Property which is held by the Company for development (as advised by the Company, the Property would be occupied by the Company upon completion for production use) and situated in The People’s Republic of China (the “PRC”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 December 2022 (the “valuation date”) for the purpose of incorporation into the circular issued by the Company.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2020 issued by the Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Property on the open markets 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 Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODOLOGY

In valuing the Property which is under development in the PRC, we have valued the Property on the basis that the Property will be developed and completed in accordance with the latest development scheme provided to us and all consents, approvals and licences from relevant government authorities for the development scheme have been or will be obtained without any onerous conditions. We have adopted the direct comparison method by making reference to comparable sales evidences as available in the relevant market, and have taken into account taken into account of expended construction costs and relevant expenses of the Property.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal adviser, Global Law Office, regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Subject to the pandemic conditions as at the period of time of our valuation, we are not able to carry out physical site inspection of the property and we have inspected the Property by means of video call on 10 January 2023 by Ms Kathy Lau (BBA (Hons)) and no tests have been carried out on any of the services. Neither have we carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Property which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB). Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
Vincent K. F. Pang
MHKIS, MRICS, RPS (GP)
Director

Note: Mr. Vincent K. F. Pang is a Registered Professional Surveyor in General Practice Division with over 26 years valuation experience on properties in Hong Kong and the PRC.

Encl.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2022
A Proposed Industrial Complex, Heshan Industrial Zone (Zone A), Heshan, Jiangmen, Guangdong Province, The PRC	<p>The Property comprises a proposed industrial complex to be erected upon a parcel of land with site area of approximately 133,332.99 sq m, located in Heshan Industrial Zone (Zone A) of Heshan City of Jiangmen City. The immediate locality is a newly-developed industrial area with some industrial developments in the vicinity.</p> <p>According to the information provided to us, the Property is planned to be developed into an industrial complex with a total gross floor area of approximately 94,431.13 sq m and is scheduled to be completed by December 2023.</p> <p>The land use rights of the Property have been granted for a term expiring on 10 March 2070 for industrial use.</p>	As at the valuation date, the property was under development.	RMB137,000,000

1. Pursuant to the Real Estate Title Certificate - Yue (2020) He Shan Shi Bu Dong Chang Quan Di No. 0008944, the land use rights of the Property with a site area of 133,332.99 sq. m. were granted to PanAsia Enterprises (Jiangmen) Company Limited (榮陽實業(江門)有限公司) (“**PanAsia Jiangmen**”) for a term expiring on 10 March 2070 for industrial use.
2. Pursuant to the Planning Permit for Construction Use of Land – Di Zi Di No. 440784202000079 dated 29 July 2020, PanAsia Jiangmen is permitted to use a parcel of land with site area of 156,861.90 sq m for the development of industrial uses.
3. Pursuant to eight Planning Permit for Construction Works – Jian Zi Di Nos. 440784202000209 to 440784202000211 and 440784202000548 to 440784202000552, the development scheme of the Property is approved.
4. Pursuant to two Construction Work Commencement Permits Nos. 440784202003100201 and 440784202103100101, the construction works of the Property were approved for commencement.
5. As advised by the Company, as at the valuation date, the total estimated construction cost and expended construction cost of the Property were about RMB142,800,000 and RMB80,000,000 and we have taken into account such amount in our valuation.
6. The capital value of the Property if completed as at the valuation date would be approximately RMB304,000,000.
7. We have been provided with a legal opinion on the Property issued by the Company’s PRC legal adviser, which contains, inter alia, the followings:
 - (i) PanAsia Jiangmen has obtained the Real Estate Title Certificate of the land of the Property and is the land owner of the land and is entitled to occupy, use, benefit from and dispose of the property in accordance with the law;
 - (ii) PanAsia Jiangmen has obtained the relevant Planning Permit for Construction Use of Land, Planning Permit for Construction Works and Construction Work Commencement Permits of the Property and can legally develop the Property;
 - (iii) the land of the Property is subject to a mortgage in favor of Jiangmen Rural Commercial Bank Company Limited Huangshi Branch for a period from 28 August 2019 to 20 May 2030. Apart from the said mortgage, there is no other situation of sell, transfer, mortgage or imposing rights of third party or restrictions on rights of the Property;
 - (iv) according to the relevant Land Grant Contract of the Property, the construction works on the land should be completed by 11 March 2022. If the construction works are not completed on the date as stipulated in the Land Grant Contract, a liquidated damages equivalent to 1% of the total transfer price of the land shall be paid to the Government for each day of delay, if the site area of started construction works does not reach 80% of the total site area of the land, or if the site area of started construction works exceed 80% of the total site area of the land, but the un-utilized site area exceeds 15 Mu, the Government may require the land user to pay a liquidated damages based on 20% of the transfer price of land apportioned by the un-utilized site area, and the Government has the right to resume the land use right of the land;
 - (v) as advised by the Company, the started construction works site area does not reach 80% of the total site area of the land; and
 - (vi) as advised by the Company, the Company had applied to the Heshan Natural Resources Bureau in writing for an extension of the completion deadline in January 2021, but up to the date of issuance of the legal opinion, the Company has not received any reply from the Heshan Natural Resources Bureau on the application for the extension. As far as the Company is aware, the Heshan Natural Resources Bureau has never investigated other breaching parties for breach of contract in its main jurisdiction for similar delays in completion.

8. As advised by the Company, according to the Conditional Sales and Purchase Agreement dated 9 January 2023 in relation to the proposed disposal relating to PanAsia Jiangmen, any creditor's rights and debts arising from PanAsia Jiangmen's business activities after the equity delivery date is irrelevant to the Vendor. The Purchaser is fully aware and accepted any liability or risk caused by the land use rights and construction works of the Property and will not require the Vendor to bear any costs and responsibilities due to the land use rights and construction works of the Property. The Vendor and Purchaser further confirm that any expenses or responsibilities incurred after the signing of this agreement due to the aforementioned status known to the Purchaser do not belong to the debts caused by the target company's business activities before the equity delivery date. Moreover, the Purchaser confirms that the Purchaser has fully understood and recognized the conditions of the Property (including but not limited to the land transfer, land status, real estate and construction in progress, and completion date restriction, etc.) to sign the Conditional Sale and Purchase Agreement under the status quo, the Vendor will not be required to bear any costs and responsibilities due to this situation. The both parties further confirm that any expenses caused by the aforementioned status known to the Purchaser are not debts arising from the target company's business activities before the equity delivery date.

9. Subject to the above, we have not considered in our valuation any fines and damages that may be charged to the PanAsia Jiangmen as stated in note (6) above.

(A) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(B) DISCLOSURE OF INTERESTS**(a) Directors' interests**

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Name	Company	Capacity	Type of interest	Number of Shares	Approximate % of shareholding <i>(Note 3)</i>
Mr. Pan Zhaolong	Company	Interest in controlled corporation <i>(Note 1)</i>	Long Position	900,000,000	75.00%
Mr. Leung Ka Tin	Company	Beneficial owner <i>(Note 2)</i>	Long Position	1,200,000	0.10%
Dr. Cheung Wah Keung	Company	Beneficial owner <i>(Note 2)</i>	Long Position	1,200,000	0.10%
Mr. Chan Kai Nang	Company	Beneficial owner <i>(Note 2)</i>	Long Position	1,200,000	0.10%

Notes:

1. Easy Star Holdings Limited is the registered holder of the 900,000,000 Shares. Easy Star Holdings Limited is wholly-owned by Marina Star Limited, the entire issued share capital of which is owned by Genesis Trust & Corporate Services Ltd. as trustee for The Pan Family Trust. As the Pan Family Trust a discretionary trust under which Mr. Pan Zhaolong, the Chairman, an executive Director and the chief executive officer of the Company, is a nominated beneficiary, Mr. Pan Zhaolong is deemed to be interested in the 900,000,000 Shares held by Easy Star Holdings Limited under Part XV of the SFO.
2. Such interests represent share options granted to the Directors under the share option scheme adopted by the Company on by way of the Shareholders' resolution passed on 18 January 2013.
3. The percentage is calculated on the basis of 1,200,000,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial shareholders' and other persons' interests in the Shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity	Type of interest	Number of Shares	Approximate % of issued share capital of the Company (Note 1)
Easy Star Holdings Limited	Beneficial owner (Note 2)	Long Position	900,000,000	75.00%
Marina Star Limited	Interest in controlled corporation (Note 2)	Long Position	900,000,000	75.00%
Genesis Trust & Corporate Services Ltd.	Trustee (Note 2)	Long Position	900,000,000	75.00%

Notes:

1. The percentage is calculated on the basis of 1,200,000,000 Shares in issue as at the Latest Practicable Date.
2. Easy Star Holdings Limited is the registered holder of the 900,000,000 Shares. Easy Star Holdings Limited is wholly-owned by Marina Star Limited, the entire issued share capital of which is owned by Genesis Trust & Corporate Services Ltd. as trustee for The Pan Family Trust. As the Pan Family Trust a discretionary trust under which Mr. Pan Zhaolong, the Chairman, an executive Director and the chief executive officer of the Company, is a nominated beneficiary, Mr. Pan Zhaolong is deemed to be interested in the 900,000,000 Shares held by Easy Star Holdings Limited under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(C) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(D) COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, proposed directors of the Company or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (a) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(F) LITIGATION

Save as the Litigation, as at the Latest Practicable Date and so far as the Directors are aware, no member of the Group was engaged in any litigation, claims or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

(G) MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are, or may be, material:

- (a) the Sale and Purchase Agreement.

(H) EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

NAME	QUALIFICATION
APAC Asset Valuation and Consulting Limited	Independent professional valuer

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion dated 24 March 2023 in the form and context in which it is included and all references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(I) CORPORATE AND OTHER INFORMATION

The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal place of business in Hong Kong of the Company is situated at Unit 05, 17th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The company secretary of the Company is Mr. Ho Pak Yiu, who is also an executive Director and the chief financial officer of the Company. He is responsible for the financial management, accounting and company secretarial duties of the Group. He was admitted as a Certified Practising Accountant in Australia in November 2013, an associate and a fellow member of the Hong Kong Institute of Certified Public Accountant in July 2011 and September 2018 respectively and holds a degree of Bachelor of Arts in Accounting with Business Studies. He has over 10 years of experience in accounting, auditing and finance industry.

The Company's principal share registrar and transfer office is Suntera (Cayman) Limited whose address is at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.

The share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(J) DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.palum.com/en/home.aspx>) for the period of 14 days commencing from the date of this circular:

1. the published annual reports of the Company containing audited consolidated financial statements of the Company for the years ended 31 December 2020 and 2021;
2. the published interim report of the Company containing unaudited consolidated financial statements of the Company for the six months ended 30 June 2022;
3. the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
4. the valuation report as set out in Appendix II to this circular;
5. the written consent referred to in the paragraph headed "Experts' Qualifications and Consents" in this appendix; and
6. the Sale and Purchase Agreement (together with the Waiver Letter).