

# PAN ASIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. : 197902790N)

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## DISPOSAL OF ASSOCIATE – DWK VALVES (TIANJIN) CO., LIMITED

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### Introduction

The Board of Directors (the “**Board**”) of Pan Asian Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”), wishes to announce that its wholly-owned subsidiary, Duvalco Valves & Fittings Pte. Ltd. (“**DVF**”) has on 26 June 2019 entered into a sale and purchase agreement (“**SPA**”) with Mr. Qi Yao Zhong (齐耀宗) (the “**Purchaser**”) to dispose 25% shareholding interest in DWK Valves (Tianjin) Co., Limited (“**DWKTJ**”) (the “**Sale Shares**”) (the “**Proposed Disposal**”).

Upon completion of the Proposed Disposal, the Group will no longer hold any interest in DWKTJ.

The Purchaser is an independent third party unrelated to any of the Directors and Controlling Shareholders (as defined in the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual – Section B: Rules of Catalist (the “**Catalist Rules**”)) of the Company and its subsidiaries.

The Board wishes to also announce that as at 1 July 2019, the SPA had been approved by China’s authority, and that the register of shareholders of DWKTJ had been updated to reflect the Purchaser as one of its shareholders.

The management had, upon consideration that the SPA is subject to approval by China’s authorities, and that the authorities’s approval or disapproval would be known in 3 working days, decided to release this announcement on the date of approval or within 3 days of SPA, whichever is earlier.

### Information on DWKTJ

DWKTJ is a company incorporated in the People’s Republic of China, and is principally engaged in the manufacturing of valves and fittings.

The Company had, via DVF, invested a 60% shareholding interest into DWKTJ in 2010, with two other minority shareholders holding the remaining 40% shareholding interest.

### Rationale for the Proposed Disposal

DWKTJ’s was registered as Duvalco Valves (Tianjin) Co., Ltd, when DVF invested a 60% stake in 2010. The main purpose of DWKTJ then was to manufacture the Duvalco brand of valves, a core product that contributes materially to the Group’s revenue.

The Group had since gradually shifted its manufacturing of the Duvalco valves to Wuxi, China, initially via outsourcing to Duvalco Valves (Wuxi) Co., Ltd (杜瓦可阀门(无锡)有限公司), an interested person as defined under the Catalyst Rules, and after which in 2017, set up our own wholly-owned plant, under Duvalco Valves & Fittings (Wuxi) Ltd. As a result of shifting the manufacturing base from Tianjin to Wuxi in 2014, the Group's reliance on DWKTJ reduced.

DWKTJ was then renamed to DWK Valves (Tianjin) Co., Limited to distance DWKTJ from the Duvalco brand, and in 2017, the Group reduced its stake from 60% to 25%. Please refer to the announcement dated 8 May 2017 for details relating to the disposal of the Group's 35% interest in DWKTJ in 2017.

The Board has assessed that it is no longer necessary to maintain a stake in DWKTJ, hence the decision to dispose of DWKTJ.

### **Principal Terms of the Proposed Disposal**

The terms of the Proposed Disposal are set out in the SPA. A summary of the principal terms of the Proposed Disposal is set out below.

#### **Purchase Price**

- (a) The aggregate consideration for the Sale Shares is RMB 3.125 million (approximately S\$625,000, based on an exchange rate of RMB5: S\$1) (the "**Net Proceeds**").
- (b) The Purchase Price will be fully paid over a period of three years from the date of completion of the Proposed Disposal.
- (c) At discount rate of 5%, which is estimation of the Group's cost of borrowing, and assuming Net Proceeds to be realised equally over 3 years, net present value ("**NPV**") of the Net Proceeds is S\$567,343.
- (d) The Purchase Price was arrived at a willing buyer, willing seller basis, based on 25% of DWKTJ's paid up capital of RMB12.5 million.

#### **Conditions Precedent**

The completion of the Proposed Disposal is subject to, *inter alia*, the following conditions:-

- (a) The Group and the Purchaser having completed all their obligations under the SPA and having taken all necessary steps for the Proposed Disposal;
- (b) the register of shareholders, the articles of association and the business records of DWKTJ having been updated to reflect the Purchaser as one of its shareholders;
- (c) in the event that the Purchaser fails to fulfil its obligations under and in accordance with the terms of payment of the Purchase Price under the SPA, the Group may (i) terminate the SPA and demand for compensation of 10% of the Purchase Price (being S\$62,500) from the Purchaser, or (ii) continue with the SPA and impose a daily late interest charge amounting to 0.03% of the Purchase Price from the date of overdue; which commences from 26 June 2019; and
- (d) all necessary third party, governmental and regulatory consents, approvals and waivers where required for the transactions contemplated thereunder having been obtained by the Company and/or Purchaser.

The conclusion, validity, interpretation, performance and dispute settlement of the SPA shall be governed by the laws of the People's Republic of China.

### **Financial Effects**

The financial effects of the Proposed Disposal as set out below are shown for illustrative purposes only and are not intended to reflect the actual financial performance or position of the Group after the Proposed Disposal. In accordance with Rule 1010(8) and 1010(9) of the Catalist Rules, the financial effects have been prepared based on the audited consolidated financial statements of the Group for financial year ended 31 December 2018 (“FY2018”).

Based on the Group's audited consolidated financial statements for FY2018, the net asset value/book value of the Group's 25% interest in DWKTJ, was approximately S\$576,550.

#### **Loss on Disposal**

Based on the financials of DWKTJ as at 31 December 2018 and using the NPV of the Net Proceeds at \$567,343, the expected loss from the Proposed Disposal would be S\$18,962 for FY2018.

Proceeds of the Proposed Disposal would be used for the Group's working capital purposes.

The Group's loss before tax in FY2018 would be as below.

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Group's loss before tax (S\$'000)	(1,077)	(1,086)

#### **Net Tangible Assets (“NTA”) per share**

Assuming the Proposed Disposal had been completed on 31 December 2018, the *pro forma* financial effects of the Proposed Disposal on the consolidated NTA of the Group for FY2018 are as follows:-

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
NTA of the Group (S\$'000)	15,587	15,578
Number of shares ('000)	214,202	214,202
NTA per share (Singapore cents)	7.28	7.27

#### **Loss per Share (“EPS”)**

Assuming that the Proposed Disposal had been completed on 31 December 2018, the *pro forma* effect of the Proposed Disposal on the Group's EPS are as follows:-

	<b>Before the Proposed Disposal</b>	<b>After the Proposed Disposal</b>
Net Loss After Tax (S\$'000)	(1,221)	(1,230)

Weighted average number of shares ('000)	214,202	214,202
Loss per share (Singapore cents)	(0.57)	(0.57)

### **Relative figures Under Catalyst Rule 1006**

The relative figures computed on the bases pursuant to Rule 1006 (a) to (e) of the Catalyst Rules based on the Company's latest announced audited consolidated financial statements for FY2018 are as follows:

Rule 1006	Bases of calculation	Relative figures (%)
(a)	The net asset value of the Sale Shares, compared with the Group's net asset value.	3.70 <sup>(1)</sup>
(b)	The net profits attributable to the Sale Shares compared with the Group's net profits.	(2.41) <sup>(2)</sup>
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	11.96 <sup>(3)</sup>
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable <sup>(4)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable <sup>(5)</sup>

#### **Notes:**

- (1) Based on the net asset value of the Sale Shares of approximately S\$576,550 and the Group's audited net asset value of S\$15,587,000 as at 31 December 2018.
- (2) For FY2018, the audited loss before income tax attributable to the Sale Shares and the Group was approximately S\$25,955 and S\$1,077,000 respectively.
- (3) The figures were calculated based on (i) the aggregate value of consideration of S\$625,000 and (ii) the market capitalisation of the Company of approximately S\$5.23 million computed based on the volume weighted average price of S\$0.0244 on 24 June 2019 (being the last full traded market day preceding the date of the SPA and the Company's share capital of 214,202,036 issued ordinary shares).
- (4) Not applicable, as the Proposed Disposal relates to a disposal.
- (5) Not applicable, as the Proposed Disposal is not a disposal of mineral, oil and gas assets.

As the relative figures computed on the bases set out in Catalyst Rule 1006(c) above exceeds 5% but is less than 50%, the Proposed Disposal constitutes a "disclosable transaction" under Chapter 10 of the Catalyst Rules.

### **Service Contracts**

There are no persons who are proposed to be appointed as a Director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

### **Interest of Directors and Controlling Shareholders**

Save for their shareholding interests in the Company, none of the Company's Directors, controlling shareholders or any of their respective associates, has any interest, direct or indirect, in the Proposed Disposal.

### **Document available for inspection**

A copy of the SPA is available for inspection during normal business hours at the registered office of the Company at 2 Kallang Avenue, #05-19, Singapore 339407, for a period of three (3) months commencing from the date of this announcement.

The Company would announce further updates as and when there are material updates to the Proposed Disposal.

BY ORDER OF THE BOARD

Richard Koh Chye Heng

Executive Chairman

1 July 2019

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.*

*This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).*