

PAN ASIAN HOLDINGS LIMITED
(Company registration number: 197902790N)

**HALF YEAR UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2017**

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS HALF-YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUN 2017

	Period Ended 30-Jun-17 S\$'000	Period Ended 30-Jun-16 S\$'000	Increase/ (Decrease) %
Revenue	15,657	18,234	(14.1)
Cost of sales	(10,806)	(13,747)	(21.4)
Gross profit	4,851	4,487	8.1
Interest income	3	5	(40.0)
Other gains	298	325	(8.3)
Marketing and distribution costs	(2,025)	(1,838)	10.2
Administrative expenses	(1,792)	(2,205)	(18.7)
Finance costs	(25)	(44)	(43.2)
Other losses	(789)	(195)	NM
Share of loss from equity-accounted associate	(8)	-	NM
Share of loss from equity-accounted joint ventures	(13)	(95)	(86.3)
Profit before tax	500	440	13.6
Income tax expenses	(298)	(23)	NM
Profit net of tax	202	417	(51.6)
<u>Other comprehensive loss</u>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Loss	(311)	(480)	(35.2)
- Reclassification to profit or loss arising from disposal of subsidiary	(33)	-	NM
Other comprehensive loss for the year, net of tax	(344)	(480)	(28.3)
Total comprehensive income	(142)	(63)	NM
Profit attributable to owners of the parent, net of tax	206	202	NM
(Loss)/profit attributable to non-controlling interests, net of tax	(4)	215	NM
Profit net of tax	202	417	(51.6)
Total comprehensive income attributable to owners of the parent	(111)	(206)	NM
Total comprehensive (loss)/income attributable to non-controlling interests	(31)	143	NM
Total comprehensive income	(142)	(63)	NM

NM - Not Meaningful

Notes to Consolidated Statement of Comprehensive Income

	Period Ended 30-Jun-17 S\$'000	Period Ended 30-Jun-16 S\$'000	Increase/ (Decrease) %
<u>Revenue</u>			
Sale of goods	15,687	18,139	(13.5)
Discount allowed	(95)	-	NM
Commission income	-	2	NM
Other income	65	93	(30.1)
	15,657	18,234	(14.1)
Interest income	3	5	(40.0)
<u>Depreciation expense</u>			
Cost of sales	(4)	(28)	(85.7)
Marketing and distribution costs	(75)	(139)	(46.0)
Administrative expenses	(182)	(181)	0.6
	(261)	(348)	(25.0)
<u>Other gains</u>			
Foreign exchange adjustment gain	50	-	NM
Gains on disposal of subsidiary, net	15	-	NM
Gain on disposal of other asset, net	8	-	NM
Government grant	60	100	(40.0)
Sundry income	-	12	NM
Write back of allowance for inventories	165	213	(22.5)
	298	325	(8.3)
<u>Finance costs</u>			
Interest expense	(25)	(44)	(43.2)
<u>Other losses</u>			
Loss on disposal of property, plant and equipment, net	(38)	(19)	100.0
Bad trade debts written off	-	(66)	NM
Net allowance for impairment on receivables	(583)	-	NM
Sundry expense	(138)	-	NM
Amortisation of land use rights	(30)	(26)	15.4
Foreign exchange adjustment losses	-	(84)	NM
	(789)	(195)	NM

NM - Not Meaningful

1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.

	<u>Group</u> <u>30-Jun-17</u> <u>S\$'000</u>	<u>Group</u> <u>31-Dec-16</u> <u>S\$'000</u>	<u>Company</u> <u>30-Jun-17</u> <u>S\$'000</u>	<u>Company</u> <u>31-Dec-16</u> <u>S\$'000</u>
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	5,375	5,917	4,423	4,598
Investments in subsidiaries	-	-	4,245	4,245
Investments in associate	626	-	-	-
Investments in joint ventures	158	172	100	100
Land use rights	1,298	1,357	-	-
Other assets, non-current	18	78	18	78
Cash and cash equivalents	156	-	-	-
Total non-current assets	7,631	7,524	8,786	9,021
<u>Current assets</u>				
Inventories	2,184	4,745	341	620
Trade and other receivables	6,185	15,925	7,980	10,340
Other assets, current	1,242	936	92	110
Cash and cash equivalents	6,575	4,822	1,797	1,634
Total current assets	16,186	26,428	10,210	12,704
Total assets	23,817	33,952	18,996	21,725
EQUITY AND LIABILITIES				
<u>Equity attributable to owner of the parent</u>				
Share capital	15,300	15,300	15,300	15,300
Other reserves	(79)	238	-	-
Retained earnings	1,790	1,584	868	64
Equity, attributable to owners of the parent	17,011	17,122	16,168	15,364
Non-controlling interests	(152)	949	-	-
Total equity	16,859	18,071	16,168	15,364
<u>Non-current liabilities</u>				
Deferred tax liabilities	53	53	33	33
Other financial liabilities, non-current	145	81	57	81
Total non-current liabilities	198	134	90	114
<u>Current liabilities</u>				
Income tax payable	396	261	-	-
Other financial liabilities, current	94	1,806	47	1,806
Trade and other payables, current	6,270	13,680	2,691	4,441
Total current liabilities	6,760	15,747	2,738	6,247
Total liabilities	6,958	15,881	2,828	6,361
Total equity and liabilities	23,817	33,952	18,996	21,725

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30-Jun-17		As at 31-Dec-16	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
94	-	1,806	-

Amount repayable after one year

As at 30-Jun-17		As at 31-Dec-16	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
145	-	81	-

The Group's bank borrowings and debt securities of 31 December 2016 of S\$1,760,000 were secured by:

- a. A negative pledge over the assets of the Company; and
- b. Corporate guarantees from the Company.

The Group did not have any bank borrowings and debt securities as at 30 June 2017.

The obligations under finance lease of S\$239,000 as at 30 June 2017 (31 December 2016: S\$127,000) are secured by a charge over the leased assets and the personal guarantee from a director of the Company.

1(c) A statement of cash flows (for the group) together with the comparative statement for the corresponding period of the immediately preceding financial year.

	Group Period ended 30-Jun-17 S\$'000	Group Period ended 30-Jun-16 S\$'000
Cash flows from operating activities		
Profit before tax	500	440
Adjustments for:		
Amortisation of land use rights	30	26
Depreciation of property, plant and equipment	261	348
Interest income	(3)	(5)
Interest expense	25	44
Gain on disposal of other asset, net	(8)	-
Gain on disposal of subsidiary	(15)	-
Loss on disposal of property, plant and equipment, net	38	19
Gain on disposal of subsidiary	-	-
Share of loss from equity-accounted associate	8	-
Share of loss from equity-accounted joint ventures	13	95
Operating cash flow before changes in working capital	849	967
Trade and other receivables	6,487	1,300
Other assets	(306)	885
Inventories	1,133	242
Trade and other payables	(3,876)	(1,497)
Net cash flows from operations	4,287	1,897
Income taxes paid	(62)	(60)
Net cash flows from operating activities	4,225	1,837
Cash flows from investing activities		
Interest received	3	5
Proceeds from disposal of property, plant and equipment	8	165
Proceeds from investment held for disposal	-	120
Proceeds from disposal of other asset	68	-
Disposal of subsidiaries (net of cash disposed)	(149)	-
Purchase of property, plant and equipment	(353)	(351)
Net cash flows (used in) from investing activities	(423)	(61)
Cash flows from financing activities		
Dividend paid on ordinary shares	-	(1,071)
Cash restricted in use over 3 months	(156)	-
Interest paid	(25)	(44)
Proceeds/(repayment) of finance lease	112	(61)
Repayment of bank borrowings	(1,760)	(216)
Net cash flows used in financing activities	(1,829)	(1,392)
Net increase in cash and cash equivalents	1,973	384
Effect of exchange rate changes on cash and cash equivalent	(220)	(354)
Cash and cash equivalents, statement of cash flows, beginning balance	4,822	4,309
Cash and cash equivalents, statement of cash flows, ending balance	6,575	4,339
Represented by:		
Cash and cash equivalents	6,575	4,339
Cash and cash equivalents, statement of cash flows, ending balance	6,575	4,339

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital S\$'000	Other Reserves S\$'000	Retained Earnings S\$'000	Attributable to Parent sub-total S\$'000	Non- Controlling Interests S\$'000	Total Equity S\$'000
GROUP:						
Current year:						
Balance as at 1 January 2017	15,300	238	1,584	17,122	949	18,071
Movements in equity:						
Total comprehensive (loss) income for the year	-	(317)	206	(111)	(31)	(142)
Disposal of subsidiaries with a change in control	-	-	-	-	(1,070)	(1,070)
Balance as at 30 June 2017	15,300	(79)	1,790	17,011	(152)	16,859
Previous year:						
Balance as at 1 January 2016	15,300	340	2,371	18,011	941	18,952
Movements in equity:						
Total comprehensive (loss) income for the year	-	(408)	202	(206)	143	(63)
Dividends on ordinary shares	-	-	(1,071)	(1,071)	-	(1,071)
Balance as at 30 June 2016	15,300	(68)	1,502	16,734	1,084	17,818
COMPANY:						
Current year:						
Balance as at 1 January 2017	15,300	-	64	15,364	-	15,364
Movements in equity:						
Total comprehensive income for the year	-	-	804	804	-	804
Balance as at 30 June 2017	15,300	-	868	16,168	-	16,168
Previous year:						
Balance as at 1 January 2016	15,300	-	2,504	17,804	-	17,804
Movements in equity:						
Total comprehensive income for the year	-	-	298	298	-	298
Dividends on ordinary shares	-	-	(1,071)	(1,071)	-	(1,071)
Balance as at 30 June 2016	15,300	-	1,731	17,031	-	17,031

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares and the number of subsidiary holdings,, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital from 31 December 2016 up to 30 June 2017. The Company's share capital as at 31 December 2016 and 30 June 2017 remained at S\$15,300,000 and comprised 214,202,036 shares.

There were no convertible securities, treasury shares or subsidiary holdings outstanding as at the end of the current financial period (31 December 2016: Nil).

1(d)(iii) Total number of issued share excluding treasury share as at the end of current financial period and as at the end of the immediately preceding year.

	Number of Shares
As at 31 December 2016 and 30 June 2017	214,202,036

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury share as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury share during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period as compared to the audited financial statements for the financial year ended 31 December 2016.

5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017.

Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and has no material effect on the financial results reported for the current or prior reporting periods.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	30-Jun-17	30-Jun-16
(i) Based on weighted average number of ordinary share in issue (cents)	0.10	0.09
Weighted average number of ordinary shares in issue	214,202,036	214,202,036
(ii) On a fully diluted basis (cents)	0.10	0.09
Diluted weighted average number of ordinary shares in issue	214,202,036	214,202,036

Basic and diluted earnings per share were the same as there was no potential dilutive securities in issue as at 30 June 2017 and as at 30 June 2016.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current period reported on; and
 (b) immediately preceding financial year

	Group		Company	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
Net asset value per ordinary share based on issued share capital (cents)	7.94	7.99	7.55	7.17

Net asset value per ordinary share is calculated based on 214,202,036 (31 December 2016: 214,202,036) ordinary shares at the end of the reporting period.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (c) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Review of operating results

Revenue

Group revenue decreased by S\$2.5 million or 14.1% to S\$15.7 million for the half-year ended 30 June 2017 ("1H2017"). This was mainly attributable to:

- decrease in revenue from the China entities of S\$1.1 million, which is largely attributable to the disposal of the 35% equity interest in DWK Valves (Tianjin) Co., Ltd ("DWKTJ") during the period ended 30 June 2017. DWKTJ contributed S\$2.3 million of revenue in the corresponding period vis-à-vis the revenue recorded before its disposal of S\$1.3 million.
- decrease in revenue from Singapore entities of S\$7.3 million due to the absence of a once off welding project in 1H2016 as well as general reduction in projects occurring in 1H2017.

This decrease in revenue from the China entities was offset by the increase in revenue from the Hong Kong entity (S\$5.6 million).

Gross Profit

Overall, gross profit margin increased from 24.6% to 31.0% due to improved performance from high gross profit contributing entities.

Other gains

Other gains decreased by S\$27,000 mainly due to the decrease in government grant obtained and the decrease in write back of allowance for inventories, offset by the increase in foreign exchange gain. Government grant obtained has decreased vis-à-vis the previous corresponding period mainly due to timing difference. Write back of allowance for inventories had occurred as a result of subsequent sales.

Marketing and Distribution Costs

Marketing and distribution costs increased by S\$187,000 or 10.2% from S\$1.8 million for the half-year ended 30 June 2016 ("1H2016") to S\$2.0 million in 1H2017. The increase is largely due to the increase in accrual for sales incentives of S\$0.5 million as a result of improved sales in certain entities, offset by the reduction in payroll expenses of S\$0.2 million.

Finance Costs

Finance costs decreased by S\$19,000 or 43.2% due to the decrease in interest expense incurred for short term loans and trust receipts, which is in line with the decreased usage.

Other losses

Other losses increased by S\$594,000 mainly due to the impairment on receivables recognised as a result of management's assessment of S\$583,000, loss on disposal of property, plant and equipment of S\$38,000 and sundry expenses of S\$138,000, out of which S\$103,000 relates to the provision for amount expected for the settlement of a legal proceeding.

Depreciation expense

Depreciation expense has decreased by S\$87,000 largely due to the decrease in depreciation expense from the Netherlands entity as a large amount of assets had been previously fully depreciated.

Share of loss from equity-accounted joint ventures

Share of losses from equity-accounted joint ventures decreased by 85.3% due to improved performance by one of the joint ventures.

Income Tax Expense

Income tax expense increased by S\$275,000 due to the increase in tax provision recognized for profit making subsidiaries.

Financial Position

Non-Current Assets

Non-current assets increased by S\$0.1 million from S\$7.5 million as at 31 December 2016 to S\$7.6 million as at 30 June 2017. This was mainly attributable to the following:

- (1) Increase in investments in associate of S\$0.6 million as a result of the disposal of 35% equity interest in DWKTJ resulting in DWKTJ becoming an associate,
- (2) Increase in cash and cash equivalents, non-current of S\$0.2 million as a result of HK\$880,000 being held as security for the issuance of a 10 years performance bond; offset by
- (3) Decrease in property, plant and equipment of S\$0.5 million as a result of disposal of DWKTJ.

Current Assets

Current assets decreased by S\$10.2 million from S\$26.4 million as at 31 December 2016 to S\$16.2 million as at 30 June 2017. The decrease was mainly due to the following:

- (1) Decrease in trade and other receivables by S\$9.7 million was largely attributable to the disposal of DWKTJ (S\$4.2 million) as well as the overall improvement in collection for trade receivables.
- (2) Decrease in inventories by S\$2.5 million from S\$4.7 million to S\$2.2 million is mainly attributable to the disposal of DWKTJ (S\$1.5 million), as well as timing difference; offset by
- (3) Increase in cash and cash equivalents of S\$1.8 million.

Current Liabilities

Current liabilities decreased by S\$8.9 million from S\$15.7 million as at 31 December 2016 to S\$6.8 million as at 30 June 2017.

The decrease in trade and other payables is attributable to the decrease in trade payable to third parties and related parties of S\$6.5 million and S\$0.1 million respectively, as well as the decrease in other payables of S\$0.9 million.

Trade payable to third parties decreased in line with the reduction in purchases of inventory of S\$2.7 million as well as due to the disposal of DWKTJ, which contributed to a decrease of S\$3.4 million.

Trade payables to related parties decreased largely due to timing differences. Other payables decreased largely due to the decrease in advances from customers of S\$0.9 million.

Other financial liabilities, current comprises of short term borrowings, and bills payable. The decrease in other financial liabilities is mainly contributed by the decrease in bills payable of S\$1.7 million, as the Group has been utilizing its funds to pay off the bills payables.

Statement of Cash Flow

Overall, the Group recorded a net increase in cash and cash equivalents for 1H2017 of S\$1,973,000. This is mainly attributable to the cash flow from operating activities of S\$4,225,000, offset by the cash outflow from investing and financing activities of S\$423,000 and S\$1,829,000 respectively.

Operating activities recorded an inflow largely due to improved collection of trade and other receivables, offset by the payment made for trade and other payables.

Investing activities recorded a net cash outflow mainly due to the purchase of plant and equipment of S\$0.4 million and the net cash outflow on disposal of DWKTJ (as the cash from DWKTJ has been deemed to be disposed but the disposal proceeds remains outstanding as at 30 June 2017), offset by the proceeds arising from investment held for disposal of S\$0.1 million.

Financing activities recorded a net cash outflow mainly due to the repayment of bank borrowings of S\$1.8 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results.

The current results are in line with the Company's discussion presented in Note 10 of the unaudited FY2016 financial results announcement dated 28 February 2017.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Although we continue to see a healthy pipeline of forthcoming projects in the water and waste water industries in Asia, the industry remains competitive and challenging. The Group will continue to take steps to closely monitor the operating costs so as to improve the bottom line.

The Group is continuously sourcing for opportunities to streamline and facilitate efficient deployment of the Group's resources.

11. Dividend

(a) Current Financial Period Reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend is declared or recommended for the current financial period reported on.

13. Interested Parties Transactions

The Group has not obtained general mandate from shareholders for Interest Parties Transactions ("IPT"). Save as disclosed below, there were no other interested person transactions entered into during 1H2017.

Name of interested person	Aggregate value of all interested persons transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Royalty payable to Duvalco International Pte Ltd	93 ¹	-
Purchases from Duvalco Valves & Fittings (Wuxi) Co., Ltd	308	-

Note:

1. Pursuant to shareholders' approval obtained at the extraordinary general meeting held on 20 November 2013.

14. Directors Confirmation

We, Richard Koh Chye Heng and Koh Eddie, being directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the half-year unaudited financial results for the period ended 30 June 2017 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the former set out in Appendix 7H) under Rule 720(i) of the Catalist Rules

The company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

On behalf of the Board

Richard Koh Chye Heng
Executive Chairman

Koh Eddie
Managing Director cum Chief Executive Officer

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman
14 August 2017

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") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).