

PAN ASIAN HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERESTED PERSON TRANSACTIONS PURSUANT TO RULE 905(2) OF THE CATALIST RULES

1. INTRODUCTION

Pursuant to Rule 905 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**Catalist Rules**”), Pan Asian Holdings Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) wishes to announce that the aggregate value of all transactions entered with the same interested persons, Duvalco International Pte. Ltd. (“**Duvalco International**”) and Duvalco Valves Wuxi Co. Ltd (“**Duvalco Wuxi**” or “**DVW**”) (collectively, the “**Interested Persons**”) for the financial year ended 31 December 2018 has exceeded 3% of the Group’s latest audited net tangible assets (“**NTA**”).

2. INTERESTED PERSONS

Duvalco International

Duvalco International is wholly-owned by Xu Jia Zu Holdings Pte Ltd, which is wholly-owned by Richard Koh Chye Heng (the Executive Chairman of the Company) and Koh Eddie (the Managing Director and CEO of the Company). The directors of Duvalco International are Richard Koh Chye Heng and Koh Bee Soo, the sister of Richard Koh Chye Heng.

Duvalco Wuxi

Duvalco Valves (Wuxi) Co. Ltd is wholly-owned by Richard Koh Chye Heng, the Executive Chairman of the Company.

As such, Duvalco International and Duvalco Wuxi are considered ‘associates’ of the controlling shareholder and are interested persons under Chapter 9 of the Catalist Rules. Accordingly, all transactions entered into between the Group, Duvalco International and Duvalco Wuxi constitutes an “interested person transaction” under Chapter 9 of the Catalist Rules.

3. DETAILS OF INTERESTED PERSON TRANSACTIONS

The value of all interested person transactions (“**IPTs**”) conducted since 1 January 2018 to 31 December 2018 (“**FY2018**”) are as follows:

Name of Interested Persons and Details of Transactions	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	S\$'000	S\$'000
Payments made by the Group to:-		
(A) Duvalco International		
5% of gross sale of Duvalco Brand of products	35.0	-
(B) Duvalco Wuxi		
The Group purchased valves, accessories and other products from DVW.	204.1	-
Rental of manufacturing equipment by Duvalco Valves & Fittings (Wuxi) Co. Ltd. (“ DVFW ”) from DVW.	137.9 ⁽¹⁾	-
Purchases of raw materials stocks by DVFW from DVW.	358.5	-
Cost reimbursement for employment of DVW staffs by DVFW, in relation to the Set Up as disclosed in the announcement dated 12 April 18.	62.4	-
Rental of manufacturing premises by DVFW from DVW.	228.5 ⁽²⁾	-
Total	1,026.4	-

Notes:

(1) The Company had entered into a contract with DVW for the rental of manufacturing equipment for a year, commencing 1 April 2018 for S\$160,000. The contract value

includes a China's Value Added Tax of 16% ("**VAT**") which was absorbed by DVW in December 2018. The absorption of VAT resulted the net contract value to be S\$137,900.

The contract value of S\$120,000 for the rental of machineries and equipment from Duvalco Wuxi as disclosed in the announcement dated 12 April 2018 was derived from a pro-rata computation of the contract sum of S\$160,000 (including 16% VAT) for the nine-month period from April 2018 to December 2018. The Company wishes to clarify that the entire contract value of S\$137,500 (net of VAT absorbed) should have been disclosed and recognised as the value at risk, instead of S\$120,000 which was computed on a pro-rata basis.

- (2) The Company had on 1 April 2018 entered into an agreement with DVW for the rental of manufacturing premises for a year from the date of the agreement ("**Tenancy Agreement**") and the terms of the Tenancy Agreement was based on a willing-buyer-willing-seller basis and supported by an independent valuation report dated 15 January 2018 by 无锡浩格工业地产质询有限公司 . In view of the foregoing, the Tenancy Agreement falls under the exemption as set out under Catalist Rule 916(1).

4. CATALIST RULES 905 AND 916(1)

For the purposes of Catalist Rule 905, transactions entered into between the Group and Interested Persons during the same financial year are aggregated in determining whether the designated financial threshold is triggered.

Notwithstanding that the aggregate value of the IPTs entered into between the Group and the Interested Persons for FY2018 (excluding all transactions conducted under the shareholders' mandate pursuant to Rule 920) is approximately S\$797,000, representing 4.77% of the Group's latest audited net tangible assets of S\$16,732,000 as at 31 December 2017 ("**Latest Audited NTA**") (which excludes the Tenancy Agreement which falls under the exemption under Catalist Rule 916(1)).

As the aggregate value of the IPTs have exceeded 3% but less than 5% of the Group's Latest Audited NTA, the Company is therefore required to make an immediate disclosure to SGX-ST of the IPTs as required under Catalist Rule 905.

5. RATIONALE AND BENEFIT FOR THE ENTRY INTO THE IPTs

Duvalco International is the licensor to Duvalco brand of products and it is an established brand of valves with origins from Holland dated back to 1956. Duvalco brand has been a part of the Group's spectrum of products in generating revenue and contribution to its bottom-line.

Duvalco Wuxi had been manufacturing the Group's products for over ten years and is thus familiar with the requirements and specifications, in terms of material quality, workmanship, timeline and other deliverables, demanded by the Group. As such, less time and resource will be spent on unnecessary rectification works to ensure that work is done to the Group's satisfaction and project timelines are adhered to. The Group had with effect from 1 April 2018, took over all the manufacturing scope of valves from Duvalco Wuxi, as per the announcement dated 12 April 2018.

The transactions with Interested Persons and their associates are entered into by our Group are in its ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. The Directors are of the view that it will be beneficial to our Group to be able to transact or continue to transact with the Interested Persons and their associates.

6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed all the above-mentioned IPTs. The Audit Committee and the Board are of the view that all the above-mentioned IPTs were entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and other than through their respective shareholdings in the Company, none of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the IPTs.

The Company's timeliness in disclosure had been affected by the delay in the implementation of the computerised system in Duvalco Valves & Fittings (Wuxi) Co. Ltd.

The Company is in the midst of implementing its Enterprise Resource Planning ("ERP") system and the ERP system is expected to enhance the monitoring and ensure timely review and disclosure of IPTs in the future.

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman
16 January 2019

This announcement has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "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 assume 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.

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