

PAN ASIAN HOLDINGS LIMITED

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

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

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 25 April 2017 entered into a sale and purchase agreement (“**SPA**”) with Zhao Xiu Ying (赵秀英) (the “**Purchaser**”) to dispose 35% shareholding interest in its 60%-owned subsidiary, DWK Valves (Tianjin) Co., Limited (“**Sale Shares**”)(“**DWKTJ**”) (the “**Proposed Disposal**”).

Upon completion of the Proposed Disposal, the Group will hold a 25% shareholding interest in DWKTJ, with the Purchaser holding the remaining 75% shareholding interest. The legal representative of DWKTJ shall cease to be Mr. Koh Eddie upon completion.

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.

Information on DWKTJ

The Group invested in DWKTJ in 2010. Before the Proposed Disposal, DWKTJ was a 60%-owned indirect subsidiary, with 2 other minority shareholders holding the remaining 40% shareholding interest.

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

Rationale for the Proposed Disposal

The Proposed Disposal is undertaken by the Group to reduce its investment in DWKTJ. The Board has assessed that it is no longer necessary to maintain a majority stake in DWKTJ, hence the decision to divest a significant stake in DWKTJ to the Purchaser.

The Proposed Disposal will also allow the Group to reallocate its resources to focus on its existing core businesses and any future business opportunity going forward with the aim of enhancing shareholders’ value.

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 4.375 million (approximately S\$912,000, based on an exchange rate of RMB4.796: S\$1) (the “**Net Proceeds**”). The submission of the payment transfer forms to the bank is to be done once the SPA is signed.
- (b) The Purchase Price is fully satisfied by payment in cash.
- (c) The Purchase Price was arrived at a willing buyer, willing seller basis taking into consideration the business prospects of DWKTJ.

Conditions Precedents

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 its shareholder;
- (c) in the event that the Purchaser fails to fulfill 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 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 April 2017.
- (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.

Intended use of sale proceeds

The Company intends to utilise the Net Proceeds received for general working capital usage.

The Company will make periodic announcements on the use of Net Proceeds from the Proposed Disposal as and when funds are materially disbursed, as well as provide status reports on the use of proceeds and a breakdown with specific details on how the Net Proceeds have been applied from the Proposed Disposal in the Company’s annual report as well as the interim and full-year financial statements until such time the Net Proceeds have been fully utilised.

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 2016 (“FY2016”).

Loss on Proposed Disposal

Based on the Group’s audited consolidated financial statements for FY2016, the net asset value/book value of DWKTJ, *pro rata*, was approximately S\$902,300.

The expected loss from the Proposed Disposal would be S\$38,900 for FY2016.

Net Tangible Assets (“NTA”) per share

Assuming the Proposed Disposal had been completed on 31 December 2016, the *pro forma* financial effects of the Proposed Disposal on the consolidated NTA of the Group for FY2016 are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group (S\$’000)	18,071	17,169
Number of shares (’000)	214,202	214,202
NTA per share (Singapore cents)	8.44	8.02

Earnings per Share (“EPS”)

Assuming that the Proposed Disposal had been completed on 31 December 2016, the *pro forma* effect of the Proposed Disposal on the Group’s EPS are as follows:-

	Before the Proposed Disposal	After the Proposed Disposal
Net Profit (S\$’000)	304	145
Weighted average number of shares (’000)	214,202	214,202
Earnings per share (Singapore cents)	0.14	0.07

Relative figures Under Catalist Rule 1006

The relative figures computed on the bases pursuant to Rule 1006 (a) to (e) of the Catalist Rules based on the Company’s latest announced audited consolidated financial statements for FY2016 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.	4.99 ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the Sale Shares compared with the Group’s net profits.	27.16 ⁽³⁾
(c)	The aggregate value of the consideration given or	13.74 ⁽⁴⁾

	received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	
(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
(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

Notes:

- (1) Based on the net asset value of the Sale Shares of approximately S\$902,300 and the Group's audited net asset value of S\$18,071,000 as at 31 December 2016.
- (2) Under Catalist Rule 1002(3)(b), "net profit" means profit before income tax, minority interest and extraordinary items.
- (3) For FY2016, the audited profit before income tax attributable to the Sale Shares and the Group was approximately S\$179,026 and S\$659,000 respectively.
- (4) The figures were calculated based on (i) the aggregate value of consideration of S\$912,000 and (ii) the market capitalisation of the Company of approximately S\$6.64 million computed based on the volume weighted average price of S\$0.031 on 24 April 2017 (being the last full market day preceding the date of the SPA and the Company's share capital of 214,202,036 issued ordinary shares).

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

BY ORDER OF THE BOARD
Richard Koh Chye Heng
Executive Chairman
8 May 2017

*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 Catalyst. 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.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.