

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

**HALF YEAR UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2016**

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 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 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.

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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.

	Half-year 30-Jun-16 S\$'000	Half-year 30-Jun-15 S\$'000	Increase/ (Decrease) %
Revenue	18,234	20,848	(12.5)
Cost of sales	(13,747)	(15,616)	(12.0)
Gross profit	<u>4,487</u>	<u>5,232</u>	(14.2)
Interest income	5	4	25.0
Other gains	325	45	NM
Marketing and distribution costs	(1,838)	(2,033)	(9.6)
Administrative expenses	(2,205)	(2,152)	2.5
Finance costs	(44)	(132)	(66.7)
Other losses	(195)	(745)	(73.8)
Share of loss from equity-accounted joint ventures	(95)	(67)	41.8
Profit before tax	<u>440</u>	<u>152</u>	NM
Income tax expenses	(23)	(104)	(77.9)
Profit net of tax	<u><u>417</u></u>	<u><u>48</u></u>	NM
<u>Other comprehensive (loss)/income</u>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- (Loss)/Gains	(480)	162	NM
Other comprehensive (loss)/income for the year, net of tax	(480)	162	NM
Total comprehensive (loss)/income	<u>(63)</u>	<u>210</u>	NM
Profit/(Loss) attributable to owners of the parent, net of tax	202	(9)	NM
Profit attributable to non-controlling interests, net of tax	215	57	NM
Profit net of tax	<u>417</u>	<u>48</u>	NM
Total comprehensive (loss)/income attributable to owners of the parent	(206)	133	NM
Total comprehensive income attributable to non-controlling interests	143	77	85.7
Total comprehensive (loss)/income	<u>(63)</u>	<u>210</u>	NM

NM - Not Meaningful

Notes to Consolidated Statement of Comprehensive Income

	Half-year 30-Jun-16 S\$'000	Half-year 30-Jun-15 S\$'000	Increase/ (Decrease) %
<u>Revenue</u>			
Sale of goods	18,139	20,602	(12.0)
Rental income	-	13	NM
Commission income	2	58	(96.6)
Other income	93	175	(46.9)
	<u>18,234</u>	<u>20,848</u>	(12.5)
Interest income	<u>5</u>	<u>4</u>	25.0
<u>Depreciation expense</u>			
Cost of sales	(28)	(72)	(61.1)
Marketing and distribution costs	(139)	(76)	82.9
Administrative expenses	(181)	(206)	(12.1)
	<u>(348)</u>	<u>(354)</u>	(1.7)
<u>Other gains</u>			
Gains on disposal of property, plant and equipment, net	-	1	NM
Government grant	100	-	NM
Sundry income	12	35	(65.7)
Write back of allowance for inventories	213	9	NM
	<u>325</u>	<u>45</u>	NM
<u>Finance costs</u>			
Interest expense	<u>(44)</u>	<u>(132)</u>	(66.7)
<u>Other losses</u>			
Loss on disposal of property, plant and equipment, net	(19)	-	NM
Bad trade debts written off	(66)	-	NM
Net allowance for impairment on receivables	-	(2)	NM
Impairment loss on goodwill	-	(347)	NM
Amortisation of intangible asset	(26)	(31)	(16.1)
Foreign exchange adjustment losses	(84)	(365)	(77.0)
	<u>(195)</u>	<u>(745)</u>	(73.8)

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-16</u> <u>S\$'000</u>	<u>Group</u> <u>31-Dec-15</u> <u>S\$'000</u>	<u>Company</u> <u>30-Jun-16</u> <u>S\$'000</u>	<u>Company</u> <u>31-Dec-15</u> <u>S\$'000</u>
<u>ASSETS</u>				
<u>Non-current assets</u>				
Property, plant and equipment	6,190	6,353	4,769	4,728
Investments in subsidiaries	-	-	6,554	6,054
Investments in joint ventures	245	340	105	105
Land use rights	1,351	1,471	-	-
Other assets, non-current	78	78	78	78
Deferred tax assets	140	151	-	-
Total non-current assets	8,004	8,393	11,506	10,965
<u>Current assets</u>				
Asset held for sale under FRS 105	-	120	-	120
Inventories	4,738	4,979	340	1,522
Trade and other receivables	14,536	15,836	10,296	12,534
Other assets, current	979	1,865	334	228
Cash and cash equivalents	4,339	4,309	2,381	2,377
Total current assets	24,592	27,109	13,351	16,781
Total assets	32,596	35,502	24,857	27,746
<u>EQUITY AND LIABILITIES</u>				
<u>Equity attributable to owner of the parent</u>				
Share capital	15,300	15,300	15,300	15,300
Other reserves	(68)	340	-	-
Retained earnings	1,502	2,371	1,731	2,505
Equity, attributable to owners of the parent	16,734	18,011	17,031	17,805
Non-controlling interests	1,084	941	-	-
Total equity	17,818	18,952	17,031	17,805
<u>Non-current liabilities</u>				
Deferred tax liabilities	81	81	81	81
Other financial liabilities, non-current	150	145	150	145
Total non-current liabilities	231	226	231	226
<u>Current liabilities</u>				
Income tax payable	176	222	-	-
Other financial liabilities, current	1,599	1,832	1,001	1,184
Trade and other payables, current	12,772	14,270	6,594	8,531
Total current liabilities	14,547	16,324	7,595	9,715
Total liabilities	14,778	16,550	7,826	9,941
Total equity and liabilities	32,596	35,502	24,857	27,746

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-16		As at 31-Dec-15	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,599	-	1,832	-

Amount repayable after one year

As at 30-Jun-16		As at 31-Dec-15	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
150	-	145	-

The Group's bank borrowings and debt securities of S\$1,539,000 as at 30 June 2016 (31 December 2015: S\$1,755,000) were secured and covered by:

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

The obligations under finance lease of S\$210,000 as at 30 June 2016 (31 December 2015: S\$222,000) 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 Half-year ended 30-Jun-16 S\$'000	Group Half-year ended 30-Jun-15 S\$'000
Cash flows from operating activities		
Profit before tax	440	152
Adjustments for:		
Depreciation of property, plant and equipment	348	354
Loss/(Gains) on disposal of property, plant and equipment, net	19	(1)
Impairment loss on goodwill	-	347
Amortisation of intangible asset	26	31
Share of loss from equity-accounted joint ventures	95	67
Interest income	(5)	(4)
Interest expense	44	132
Operating cash flow before changes in working capital	967	1,078
Trade and other receivables	1,300	(544)
Other assets	885	380
Inventories	242	133
Trade and other payables	(1,497)	(1,509)
Net cash flows from operations	1,897	(462)
Income taxes paid	(60)	(55)
Net cash flows from operating activities	1,837	(517)
Cash flows from investing activities		
Purchase of property, plant and equipment	(351)	(143)
Proceeds from disposal of property, plant and equipment	165	5
Proceeds from investment held for disposal	120	-
Disposal of subsidiaries (net of cash disposed)	-	552
Interest received	5	4
Net cash flows (used in) from investing activities	(61)	418
Cash flows from financing activities		
Interest paid	(44)	(132)
Dividend paid on ordinary shares	(1,071)	-
Increase from new borrowings	-	327
Repayment of bank borrowings	(216)	-
Finance lease repayment	(61)	(43)
Net cash flows (used in) from financing activities	(1,392)	152
Net increase in cash and cash equivalents	384	53
Effect of exchange rate changes on cash and cash equivalent	(354)	159
Cash and cash equivalents, statement of cash flows, beginning balance	4,309	1,781
Cash and cash equivalents, statement of cash flows, ending balance	4,339	1,993
Represented by:		
Cash and cash equivalents	4,339	2,314
Bank overdraft	-	(321)
Cash and cash equivalents, statement of cash flows, ending balance	4,339	1,993

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:						
Previous year:						
Balance as at 1 January 2015	15,300	47	1,853	17,200	1,185	18,385
Movements in equity:						
Total comprehensive income (loss) for the period	-	142	(9)	133	77	210
Transfer to statutory reserve	-	15	(15)	-	-	-
Disposal of subsidiary with a change in control	-	-	-	-	(151)	(151)
Balance as at 30 June 2015	15,300	204	1,829	17,333	1,111	18,444
Current 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 period	-	(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:						
Previous year:						
Balance as at 1 January 2015	15,300	-	3,709	19,009	-	19,009
Movements in equity:						
Total comprehensive income for the period	-	-	513	513	-	513
Balance as at 30 June 2015	15,300	-	4,222	19,522	-	19,522
Current year:						
Balance as at 1 January 2016	15,300	-	2,504	17,804	-	17,804
Movements in equity:						
Total comprehensive income for the period	-	-	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, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 2015 up to 30 June 2016. The Company's share capital as at 31 December 2015 and 30 June 2016 remained at S\$15,300,000 and comprised 214,202,036 shares.

There were no convertible securities and treasury shares outstanding as at the end of the current financial period (31 December 2015: 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 2015 and 30 June 2016	214,202,036

1(d)(iv) A statement showing all sales, transfers, disposal, 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.

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 2015.

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 2016.

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-16	30-Jun-15
(i) Based on weighted average number of ordinary share in issue (cents)	0.09	0.00
Weighted average number of ordinary shares in issue	214,202,036	214,202,036
(ii) On a fully diluted basis (cents)	0.09	0.00
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 2016 and as at 30 June 2015.

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-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset value per ordinary share based on issued share capital (cents)	7.81	8.41	7.95	8.31

Net asset value per ordinary share is calculated based on 214,202,036 (31 December 2015: 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**
- (b) 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 result

Overall, the Group recorded a profit before tax of \$440,000 in 1H2016 vis-à-vis \$152,000 for the previous corresponding period.

Revenue

Group revenue decreased by \$2.6 million or 12.5% to \$18.2 million for the half-year ended 30 June 2016 ("1H2016"). This was mainly attributable to the decrease in revenue from the Duvalco entities and the Australian entity, offset by the increase in revenue from Singapore and Hong Kong entities.

Gross Profit

Gross profit margin remained relatively constant, despite the decrease in gross profit which is in line with lower revenues.

Other gains

Other gains increased by \$0.3 million mainly due to the write back of allowance for inventories as a result of subsequent sales.

Marketing and Distribution Costs

Marketing and distribution costs decreased by \$195,000 or 9.6% from \$2.0 million for the half-year ended 30 June 2015 ("1H2015") to \$1.8 million in 1H2016. The decrease is largely due to decreased expenses within the Australian entity of \$136,000.

Overall, the decrease is mainly attributable to the reduction in payroll expenses of \$0.3 million, as a result of the decrease in headcount in the Australian and Singapore entities, offset by the increase in rental expenses for warehousing of \$0.1 million. Warehousing rental cost has increased as the Company is currently renting warehousing space subsequent to its move from Tractor Road in late FY2015.

Finance Costs

Finance costs decreased by \$88,000 or 66.7% 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 decreased by \$550,000 mainly due to the absence of the impairment loss recognized on goodwill of \$347,000 for a Malaysian entity and the decrease in foreign exchange losses of \$281,000 to \$84,000 in 1H2016 is attributable to the reduced fluctuation in the Euro exchange rate.

Share of loss from equity-accounted joint ventures

Share of losses from equity-accounted joint ventures increased by \$28,000 due to a poor business environment.

Income Tax Expense

Income tax expense decreased by \$81,000 in spite of the increased profitability of the Group. This is due to the Group being able to utilize previous period's unutilized tax losses.

Financial Position

Non-Current Assets

Non-current assets decreased by \$0.4 million from \$8.4 million as at 31 December 2015 to \$8.0 million as at 30 June 2016. This was mainly attributable to the following:

- (1) Decrease in property, plant and equipment of \$0.2 million;
- (2) Decrease in land use rights of \$0.1 million; and
- (3) Decrease in investment in joint ventures as a result of share of loss contributed by joint ventures of \$0.1 million.

Current Assets

Current assets decreased by \$2.5 million from \$27.1 million as at 31 December 2015 to \$24.6 million as at 30 June 2016. The decrease was mainly due to the following:

- (1) Decrease in trade and other receivables by \$1.3 million is mainly due to the decrease in revenue in spite of the longer AR turnover days offset by the increase in other receivables. Other receivables increased as the arbitration with the contractor for the Tianjin Ecocity plant has been concluded and the court has ordered the contractor to repay the Group.
- (2) Decrease in other assets, current by \$0.9 million as a result of the reclassification of the prepayment to the contractor for the Tianjin Ecocity plant to other receivables.
- (3) Decrease in inventories by \$0.3 million from \$5.0 million to \$4.7 million is mainly due to reduced inventory purchases as part of the Group's initiative to reduce stock holding. The initiative aims to reduce the warehousing space utilized.
- (4) Decrease in held for sale of \$0.1 million as the Group has completed the disposal of PVT Engineering Sdn Bhd and GLS Tank Sdn Bhd in the 1st half of FY2016.

Current Liabilities

Current liabilities decreased by \$1.7 million from \$16.3 million as at 31 December 2015 to \$14.6 million as at 30 June 2016. This was mainly due to a decrease in trade and other payables by \$1.5 million and the decrease in other financial liabilities, current by \$0.2 million.

Trade payable to third parties decreased by \$1.4 million and trade payables to related parties decreased by \$0.6 million whereas other payables increased by \$0.5 million. Trade payables to third parties decreased in line with the reduction in purchases of inventory. Trade payables to related parties decreased largely due to timing differences.

Other payables increased mainly due to increased advances from customers of \$0.5 million. This is largely attributable to an advance received by the Hong Kong entity for a sales order.

Other financial liabilities, current comprises of short term borrowings, bank overdrafts and bills payable. The decrease in other financial liabilities is mainly contributed by the decrease in short term borrowings of \$0.6 million offset by the increase in bills payable of \$0.4 million.

Statement of Cash Flow

Overall, the Group recorded a net increase in cash and cash equivalents for 1H2016 of \$384,000. This is mainly attributable to the cash flow from operating activities of \$1,837,000, offset by the cash outflow from investing and financing activities of \$61,000 and \$1,392,000 respectively.

Operating activities recorded an inflow due to improved collection of trade and other receivables and realization of other assets, 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 \$0.4 million, offset by the proceeds arising from the disposal of plant and equipment and investment held for disposal of \$0.2 million and \$0.1 million respectively.

Financing activities recorded a net cash outflow mainly due to the dividend paid during the period of \$1.1 million and the repayment of bank borrowings of \$0.2 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 FY2015 financial results announcement dated 29 February 2016.

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.

With oil prices remaining persistently weak, our revenues for the marine and offshore segment has been sluggish due to the poor business environment. We are restructuring these business units to reduce our operating expenses while capturing the recurring replacement business for this segment. Similarly, we have kept a nimble work force to stay relevant in this segment while we await improvement in this segment.

Fortunately, the water and waste water industries in Asia has contributed to our business revenues considerably and we continue to see a healthy pipeline of forthcoming projects in this segment which we will aggressively pursue for positive revenue contribution to the Group.

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

Save as disclosed below, there was no other interested person transaction entered into during 1H2016.

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	-	13
Purchases from Duvalco Valves & Fittings (Wuxi) Co., Ltd	-	989

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 2016 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)

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
12 August 2016