

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

**HALF YEAR UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2014**

This announcement has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. ("Sponsor") for compliance with the relevant rules of Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and 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 Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.

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 ended 30-Jun-14 S\$'000	Half-year ended 30-Jun-13 S\$'000	Increase/ (Decrease) %
Revenue	25,283	19,149	32.03%
Cost of Sales	(20,746)	(15,221)	36.30%
Gross Profit	4,537	3,928	15.50%
	18%	21%	
<u>Other Items of Income</u>			
Interest Income	2	1	100.00%
Other Credits	-	2	NM
<u>Other Items of Expense</u>			
Marketing and Distribution Costs	(2,951)	(2,735)	7.90%
Administrative Expenses	(2,821)	(2,897)	-2.62%
Finance Costs	(207)	(137)	51.09%
Other Charges	(75)	(309)	-75.73%
Share of Profit/(Loss) from Equity-Accounted Joint Operations	177	(28)	NM
Loss Before Tax	(1,338)	(2,175)	-38.48%
Income Tax (Expense)/Income	(68)	16	NM
Loss Net of Tax	(1,406)	(2,159)	-34.88%
Loss Attributable to Owners of the Parent, Net of Tax	(1,282)	(1,555)	-17.56%
Loss Attributable to Non-Controlling Interests, Net of Tax	(124)	(604)	-79.47%
Loss Net of Tax	(1,406)	(2,159)	-34.88%
<u>Other Comprehensive (Loss)/Income</u>			
Loss for the period	(1,406)	(2,159)	-34.88%
Exchange Differences on Translating Foreign Operations, Net of Tax	(403)	168	NM
Total Comprehensive Loss	(1,809)	(1,991)	-9.14%
Total Comprehensive Loss Attributable to Owners of the Parent	(1,642)	(1,379)	19.07%
Total Comprehensive Loss Attributable to Non-Controlling Interests	(167)	(612)	-72.71%
Total Comprehensive Loss	(1,809)	(1,991)	-9.14%

Notes to Consolidated Statement of Comprehensive Income

	Half-year ended 30-Jun-14 S\$'000	Half-year ended 30-Jun-13 S\$'000	Increase/ (Decrease) %
<u>Revenue</u>			
Sale of Goods	25,182	19,052	32.18%
Rental Income	18	58	-68.97%
Other Income	83	39	112.82%
	25,283	19,149	32.03%
Interest Income	2	1	100.00%
<u>Depreciation charges</u>			
Cost of Sales	136	129	5.43%
Marketing and Distribution Costs	102	64	59.38%
Administrative Expenses	260	248	4.84%
	498	441	12.93%
<u>Other Credits</u>			
Gain on Disposal of Plant and Equipment	-	2	NM
	-	2	NM
<u>Finance Costs</u>			
Interest Expense	(207)	(137)	51.09%
<u>Other Charges</u>			
Bad Debts Written off for trade receivables	(3)	-	NM
Impairment Allowance on Plant and Equipment	-	(202)	NM
Amortisation of Intangible Asset	(30)	(29)	3.45%
Foreign Exchange Adjustment Losses	(42)	(78)	-46.15%
	(75)	(309)	-75.73%
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-14</u> <u>S\$'000</u>	<u>Group</u> <u>31-Dec-13</u> <u>S\$'000</u>	<u>Company</u> <u>30-Jun-14</u> <u>S\$'000</u>	<u>Company</u> <u>31-Dec-13</u> <u>S\$'000</u>
<u>ASSETS</u>				
<u>Non-Current Assets</u>				
Property, Plant and Equipment	6,339	6,694	2,564	2,696
Investments in Subsidiaries	-	-	10,445	10,445
Investments in Joint Ventures	287	110	105	105
Intangible Assets	2,456	2,456	-	-
Land Use Rights	2,658	2,821	-	-
Other Assets, Non-Current	259	268	103	103
Total Non-Current Assets	11,999	12,349	13,217	13,349
<u>Current Assets</u>				
Inventories	7,424	7,648	3,335	4,036
Trade and Other Receivables	14,492	20,927	12,666	16,667
Other Assets, Current	3,396	3,147	499	952
Cash and Cash Equivalents	3,538	4,951	316	2,328
Total Current Assets	28,850	36,673	16,816	23,983
Total Assets	40,849	49,022	30,033	37,332
<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, Total	(342)	18	-	-
Retained Earnings	6,292	7,574	6,274	7,596
Equity, Attributable to Owners of the Parent	21,250	22,892	21,574	22,896
Non-Controlling Interests	1,340	1,507	-	-
Total Equity	22,590	24,399	21,574	22,896
<u>Non-Current Liabilities</u>				
Deferred Tax Liabilities	190	192	81	81
Finance Leases, Non-Current	177	196	12	16
Total Non-Current Liabilities	367	388	93	97
<u>Current Liabilities</u>				
Income Tax Payable	598	539	253	253
Other Financial Liabilities	4,353	11,634	2,287	8,472
Finance Leases, Current	49	83	7	33
Trade and Other Payables	12,892	11,979	5,819	5,581
Total Current Liabilities	17,892	24,235	8,366	14,339
Total Liabilities	18,259	24,623	8,459	14,436
Total Equity and Liabilities	40,849	49,022	30,033	37,332

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-14		As at 31-Dec-13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
49	4,353	83	11,634

Amount repayable after one year

As at 30-Jun-14		As at 31-Dec-13	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
177	0	196	0

The Group's bank borrowings and debt securities as at 30 June 2014 were secured / covered by:

- a. A negative pledge over the assets of the Company
- b. Corporate guarantees from the Company; and
- c. Personal guarantee from a related party of a subsidiary

The obligations under finance lease 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-14 S\$'000	Group Half-year ended 30-Jun-13 S\$'000
Cash Flows From Operating Activities		
Loss Before Tax	(1,338)	(2,175)
Adjustments for:		
Depreciation of Property, Plant and Equipment	498	441
Gain on Disposal of Plant and Equipment	-	(2)
Impairment allowance on Plant and Equipment	-	202
Amortisation of Land Use Rights	30	29
Share of (Profit)/Loss from Equity-Accounted Joint Operations	(177)	28
Interest Income	(2)	(1)
Interest Expense	207	137
Operating Cash Flow before Changes in Working Capital	<u>(782)</u>	<u>(1,341)</u>
Trade and Other Receivables	6,456	3,482
Other Assets	(240)	(209)
Inventories	224	1,097
Trade and Other Payables	912	(4,018)
Net Cash Flows From/(Used in) Operations	<u>6,570</u>	<u>(988)</u>
Income Taxes Paid	-	55
Net Cash Flows From/(Used in) Operating Activities	<u>6,570</u>	<u>(934)</u>
Cash Flows From Investing Activities		
Purchase of Plant and Equipment	(199)	(225)
Acquisition/Incorporation of Subsidiaries (Net of Cash Acquired)	-	43
Acquisition of Investment in Joint Ventures	-	(150)
Interest Received	2	1
Net Cash Flows Used in Investing Activities	<u>(197)</u>	<u>(331)</u>
Cash Flows From Financing Activities		
Interest Paid	(207)	(137)
Increase from New Borrowings	-	200
Repayment of Bank Borrowings	(6,381)	(2,035)
Finance Lease Repayment	(53)	39
Issuance of Shares	-	2,106
Net Cash Flows (Used in)/From Financing Activities	<u>(6,641)</u>	<u>173</u>
Net Decrease in Cash and Cash Equivalents	(268)	(1,092)
Effect of Exchange Rate Changes on Cash and Cash Equivalent	(246)	153
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	3,931	3,116
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	<u>3,417</u>	<u>2,177</u>
Represented by:		
Cash and Cash Equivalents	3,538	2,730
Bank Overdraft	(121)	(553)
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance	<u>3,417</u>	<u>2,177</u>

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 period:						
Balance as at 1 January 2013	13,194	(237)	9,196	22,153	2,461	24,614
Movements in Equity:						
Total comprehensive income/(loss) for the period	-	176	(1,555)	(1,379)	(612)	(1,991)
Issuance of share capital	2,106	-	-	2,106	-	2,106
Acquisition of Subsidiary	-	-	-	-	43	43
Balance as at 30 June 2013	15,300	(61)	7,641	22,880	1,892	24,772
Current period:						
Balance as at 1 January 2014	15,300	18	7,574	22,892	1,507	24,399
Movements in Equity:						
Total comprehensive loss for the period	-	(360)	(1,282)	(1,642)	(167)	(1,809)
Balance as at 30 June 2014	15,300	(342)	6,292	21,250	1,340	22,590
COMPANY:						
Previous period:						
Balance as at 1 January 2013	13,194	-	9,843	23,037	-	23,037
Movements in Equity:						
Total comprehensive loss for the period	-	-	(1,778)	(1,778)	-	(1,778)
Issuance of share capital	2,106	-	-	2,106	-	2,106
Balance as at 30 June 2013	15,300	-	8,065	23,365	-	23,365
Current period:						
Balance as at 1 January 2014	15,300	-	7,595	22,895	-	22,895
Movements in Equity:						
Total comprehensive loss for the period	-	-	(1,321)	(1,321)	-	(1,321)
Balance as at 30 June 2014	15,300	-	6,274	21,574	-	21,574

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 was no change in the issued and paid-up share capital of the Company from 31 December 2013 up to 30 June 2014. The Company's share capital was S\$15,300,000 comprising 214,202,036 shares as at 31 December 2013 and 30 June 2014.

There were no convertible securities outstanding as at the end of the current financial period (30 June 2013: Nil).

There were no treasury shares outstanding as at the end of the current financial year (30 June 2013: 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 2013 and 30 June 2014	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 Section 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 2013.

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 Company has adopted applicable new and revised Financial Reporting Standards (FRS) that became effective for the Group for the financial year beginning 1 January 2014. The new or revised FRS did not require significant modification of the measurement method or the presentation of the financial information.

6. (Loss) 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.

	30-Jun-14	30-Jun-13
(i) Based on number of ordinary share in issue	(0.60cents)	(0.73cents)
(ii) On a fully diluted basis	(0.60cents)	(0.73cents)

The basic loss per share for the half year financial period ended 30 June 2014 was calculated by dividing the Group's loss attributable to equity holders of the parents net of tax of \$1,282,000 by the number of weighted average ordinary shares which was 214,202,036.

The basic loss per share for the half year financial period ended 30 June 2013 was calculated by dividing the Group's loss attributable to equity holders of the parents net of tax of \$1,555,000 by the number of weighted average ordinary shares which was 212,180,308.

No dilution in the loss per share is calculated as there was no potential dilutive ordinary share as at 30 June 2013 and as at 30 June 2014.

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	
	As at 30-Jun-14	As at 31-Dec-13	As at 30-Jun-14	As at 31-Dec-13
Net asset value per ordinary share based on number of shares in issue at end of financial period/year	9.92 cents	10.69 cents	10.07 cents	10.69 cents

Net asset value per ordinary share is calculated based on 214,202,036 ordinary shares (As at 31 December 2013: 214,202,036) as 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 result

Revenue

The Group's revenue increased by \$6.2 million or 32.0% to \$25.3 million for the half-year ended 30 June 2014 ("1H2014") from \$19.1 million in the previous corresponding financial period ("1H2013"). This was mainly attributable to the higher sales in Singapore, Hong Kong and Malaysia, which was partially offset by the decrease in sales from Vietnam, Brunei and Australia.

Gross Profit

Gross profit margin reduced by 3 percentage points from 21% to 18%. This was mainly attributable to reduction in sales of higher margin products for 1H2014. However, total gross profit increased by \$0.6 million or 15.5% to \$4.5 million in 1H2014 as compared to \$3.9 million in 1H2013 mainly due to higher revenue recorded in the financial period.

Marketing and Distribution Costs

Marketing and distribution costs increased by \$0.2 million or 7.9% from \$2.7 million in 1H2013 to \$2.9 million in 1H2014. This was the result of an increase in headcount cost for existing operations in both Singapore and Malaysia.

Administrative Expenses

Administrative expenses decreased by \$0.1 million or 2.6% to \$2.8 million in 1H2014 from \$2.9 million in 1H2013, mainly due to better control of overall administrative expenses for the financial period.

Finance Costs

Finance costs increased by \$70,000 or 51.1% from \$137,000 in 1H2013 to \$207,000 in 1H2014 mainly due to an increase in utilisation of bank borrowings.

Other Charges

Other charges decreased by \$234,000 to \$75,000 in 1H2014, from \$309,000 in 1H2013, mainly attributable to a one-time loss on disposal of plant and equipment in 1H2013 which did not recur in 1H2014.

Share of Joint Venture Profit/(Loss) After Tax

Share of joint venture profit after tax was \$177,000 in 1H2014, compared to a share of loss of \$28,000 in 1H2013. This was mainly attributable to the contribution from a joint venture in Singapore for the current reporting period.

Loss before Tax

Loss before tax decreased by \$0.8 million or 38.5% from \$2.2 million in 1H2013 to \$1.3 million in 1H2014. This was mainly attributed to higher revenue and lower expenses, coupled with the share of joint venture profit in the current reporting period.

Income Tax Expense

Income tax expense was \$68,000 in 1H2014, arising from a provision of taxation for the Company's Hong Kong subsidiary compared to a refund of \$16,000 in 1H2013.

Financial Position

Non-Current Assets

Non-current assets decreased by \$0.3 million from \$12.3 million as at 31 December 2013 to \$12.0 million as at 30 June 2014. This was mainly attributable to depreciation of plant and equipment and amortization of land use rights. The decrease was partially offset by the increase in investments in joint ventures.

Current Assets

Current assets decreased by \$7.8 million from \$36.7 million as at 31 December 2013 to \$28.9 million as at 30 June 2014. The decrease was mainly due to the following:

- 1) Increase in other assets by \$0.2 million mainly due to increase in prepayment of goods;
- 2) Decrease in cash and cash equivalents by \$1.4 million, mainly as a result of repayment of bank borrowings;
- 3) Decrease in inventories by \$0.2 million from \$7.6 million to \$7.4 million mainly due to faster inventory turnover; and
- 4) Decrease in trade receivables by \$6.4 million from \$20.2 million as at 31 December 2013 to \$13.8 million as at 30 June 2014, mainly due to faster receivables turnover.

Non-Current Liabilities

Non-current liabilities decreased by \$21,000 from \$388,000 as at 31 December 2013 to \$367,000 as at 30 June 2014, mainly as a result of repayment of finance lease.

Current Liabilities

Current liabilities decreased by \$6.3 million from \$24.2 million as at 31 December 2013 to \$17.9 million as at 30 June 2014. This was mainly due to a decrease in other financial liabilities (current) by \$7.3 million from \$11.6 million to \$4.3 million resulting from repayment of bank borrowings.

The aforementioned was partially offset by the increase in trade and other payable by \$0.9 million from \$12.0 million to \$12.9 million, as well as increase in income tax payable by \$0.1 million from \$0.5 million to \$0.6 million. Trade payable increased by \$1.2 million from \$9.6 million to \$10.8 million as a result of longer credit terms from suppliers, which was partially offset by a decrease in other payables by \$0.3 million from \$2.4 million to \$2.1 million, due to decrease in advance payment received from customers.

Statement of Cash Flow

Net cash flow from operating activities was \$6.57 million in 1H2014, due mainly to net cash from working capital of \$7.35 million because of an increase in trade and other receivables by \$6.46 million due to faster collection, reduction in inventories of \$0.22 million, and lower payment of trade and other payables of \$0.91 million, which was partly offset by net cash used in other assets of \$0.24 million.

Net cash flow used in investing activities was \$0.20 million in 1H2014, mainly due to purchase of plant and equipment during the current reporting period.

Net cash flow used in financing activities was \$6.64 million in 1H2014, mainly due to the repayment of bank borrowings of \$6.38 million, interest expenses paid of \$0.21 million and repayment of finance lease of \$0.05 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 FY2013 financial results announcement dated 28 February 2014.

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.

We expect the challenging operating environment to continue in the second half of the financial year ending 31 December 2014.

The Group will continue its efforts to contain manufacturing costs and monitor its operating expenses closely.

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 1H2014.

Interested Persons Transactions

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 920 (excluding transactions less than S\$100,000) S\$'000
Royalty payable to Duvalco International Pte Ltd	-	188
Purchases from Duvalco Valves & Fittings (Wuxi) Co. Ltd	-	1,879

14. Directors Confirmation

We, Richard Koh Chye Heng and Goh Boon Kok, 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 2014 to be false or misleading in any material aspect.

On behalf of the Board

Richard Koh Chye Heng
Executive Chairman

Goh Boon Kok
Lead independent Director

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman
13 August 2014