

PAN ASIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. : 197902790N)

RESPONSE TO SGX QUERIES ON UPDATE ON DUVALCO CONTROLS CO. LTD.

The Board of Directors (the “**Board**”) of Pan Asian Holdings Limited (the “**Company**” and together with its subsidiaries, collectively, the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX**”) on 15 April 2019 in relation to the Company’s announcement titled “*Update on Duvalco Controls Co. Ltd.*” which was announced on 12 April 2019 (the “**Announcement**”) and would like to provide the Company’s responses to the queries raised:

Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to them in the Announcement.

Questions	Responses
<p><i>What were the controls in place and whom in the Group had the responsibility of safeguarding custody and ownership of key assets/share certificates of the subsidiaries/associates/JVs of the Group? Notwithstanding that DCT had since 2012 disclosed in its Annual Reports that DCT was not audited as it was immaterial and that the cost of investment had been fully provided for, the fact that DCT was transferred to a third party without the Company’s knowledge or consent indicates insufficiency of internal controls governing the existence of assets of the Group.</i></p>	<p>The Group’s finance department is responsible for safeguarding the custody and ownership of key assets/ share certificates of the subsidiaries/ associates/ joint ventures (“JVs”) of the Group, which includes the share certificate of DCT for the Group’s 49% interest.</p> <p>There are various controls and procedures for safeguarding the custody and ownership of key assets/share certificates of the subsidiaries/associates/JVs of the Group:-</p> <ol style="list-style-type: none">(1) Specifically for DCT, a JV which was fully provided for, the controls and procedure would mainly be the safekeeping of the share certificates or equivalent documents and shareholders’ agreements; and(2) The substantive procedures undertaken by the external auditors, RSM Chio Lim LLC (“RSM”), in relation to the controls and procedures in place would therefore include the examining of share certificates or equivalent documents for material investments, establishing the accounting method for the investments, verification of shareholders agreements and in the assessment of the justification regarding the classification of the investments by the external auditors. <p>To clarify, the relevant controls have been in place since the financial year ending 31 December (“FY”) 2012 and duly examined by RSM but since DCT was a JV which was fully provided for, DCT was not included in the sample selected by RSM.</p>

Questions	Responses
<p><i>Apart from an annual review of all its subsidiaries, what are the ongoing controls currently put in place to prevent another occurrence of such unilateral transfer/disposal of stake in the subsidiaries/associates/JVs of the Group?</i></p>	<p>The Board acknowledges the fact that DCT was transferred to a third party without the Company's knowledge or consent, and the internal controls of the Group can be improved as elaborated below:-</p> <ul style="list-style-type: none"> i) The Group will establish a policy and implement procedures for striking-off all present (and future) dormant companies to streamline operations and for the ease of monitoring. ii) The Group will conduct an annual review of all its subsidiaries / associates / joint ventures and the results of such review will be submitted to the Audit Committee ("AC") and Board for review. iii) The review will be supported with an ACRA Bizfile (or its equivalent if the subsidiaries/ associates/ JVs is foreign-incorporated) search. iv) This incident will be shared with Nexia TS Risk Advisory Pte Ltd ("Nexia"), the internal auditors, for their overall risk assessment and included as part of the internal audit plan of the Company ("Internal Audit Plan"). v) The AC and Group Financial Controller have also identified Singapore Institute of Directors courses on board risk management to attend as part of ongoing training.

Questions	Responses
<p><i>What is the AC's view of the adequacy of the current internal controls environment of the Company? Did the internal audits of the Group from 2012 till to-date cover the controls surrounding existence of key assets? How will such an occurrence alter the internal audit scope of the Group moving forward?</i></p>	<p>The Board is responsible for the overall risk management and internal control framework of the Group.</p> <p>The Board has received assurance from the Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records for FY2018 have been properly maintained and the financial statements for the financial year under review gives a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems were adequate and effective as at 31 December 2018.</p> <p>The Group's internal audit function is outsourced to Nexia and the AC had received the Internal Audit Plan and internal audit report for FY2018. The AC had also received the Management Letter from RSM for FY2018. The AC has reviewed the Internal Audit Plan, internal audit report and Management Letter from Nexia and RSM and noted no material adverse matters.</p> <p>Having relied on the above, the Board, with the concurrence of the AC, is of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risk and the risk management systems are effective and adequate as at 31 December 2018.</p> <p>To clarify, the AC noted that the Internal Audit Plan was driven by a risk-based approach and DCT and existence of key assets relating to investments was not identified as a key risk of the Group as the investment amount in DCT was immaterial to the Group.</p> <p>This incident will be shared with Nexia for their overall risk assessment and included as part of the internal audit cycle.</p> <p>The existence of key assets is reviewed by the external auditors on an annual basis on a risk-based approach and DCT was not included in the sample selected by the external auditors for checks.</p>

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman
2 May 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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