



PAN ASIAN HOLDINGS LIMITED

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

PROPOSED DISPOSAL OF THE ENTIRE PAID-UP SHARE CAPITAL OF PAN ASIAN MANUFACTURING (TIANJIN) CO., LTD WHICH CONSTITUTES A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL SECTION B: RULES OF THE CATALIST OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

1. INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of Pan Asian Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that on 30 October 2019, the Company has entered into a share transfer agreement (the “**Agreement**”) with Li Wei Jiang and Li Ya Feng (the “**Buyers**”) for the sale and purchase of 100% of the paid-up share capital (the “**Sale Shares**”) of Pan Asian Manufacturing (Tianjin) Co., Ltd (“**PAM TJ**”) for an aggregate consideration of RMB 14,645,709 (equivalent to approximately SGD 2,825,175) (the “**Proposed Disposal**”). Save as otherwise disclosed, all exchange rate conversion is based on SGD 1 : RMB 5.184 as at the date of this announcement.

The Proposed Disposal constitutes a major transaction under Rule 1014 of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) and is subject to, amongst others, the approval of shareholders of the Company (the “**Shareholders**”) at an extraordinary general meeting (the “**EGM**”) to be convened.

Accordingly, a circular setting out information relating to the Proposed Disposal will be issued in due course to seek Shareholders’ approval for the same at an EGM to be convened at a later date.

2. RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL

PAM TJ was incorporated to be the Group’s headquarters in Tianjin Ecocity and to consolidate the pipe and valve manufacturing operations in the People’s Republic of China. The main asset of PAM TJ is the Land Use Rights (the “**LUR**”) for a piece of land situated in Tianjin Ecocity, People’s Republic of China (the “**Land**”). The LUR was purchased by PAM TJ from Sino-Singapore Tianjin Eco-City Investment and Development Co. Ltd during the financial year ended 31 December 2011 and will expire in year 2060. However, the LUR has been underutilised and not been developed as planned due to changes in Tianjin Government’s environmental regulations and the economy’s outlook.

Accordingly, the Proposed Disposal is being undertaken pursuant to a strategic review of the financial position, operational needs, long-term strategy and direction of the Group. The Proposed Disposal will free up cash flows that would enable the Group to focus on its core business by channelling its resources to improve production and operational efficiency. Proceeds from the Proposed Disposal would improve the Group’s cash flow liquidity and enable the Group to support its core operations without additional investment requirements.

Further, PAM TJ has not been performing and has been left dormant since the financial year ended 31 December 2015 and the benefit of the Group’s investment in PAM TJ has not been generating returns to date. To continue investing in PAM TJ may pose greater risks for the Group due to uncertainty over the LUR’s potential use. The associated risks include a potential penalty enforceable by the Tianjin Government for not commencing development on the land. As at date of the announcement, there has been no penalty imposed on PAM TJ. Therefore, the Board is of the view that it would be in the best interest of the Group to dispose PAM TJ and its LUR.



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3. THE PROPOSED DISPOSAL

3.1. Information on the Buyers

The Buyers are two Chinese national individuals by the name of Li Wei Jiang and Li Ya Feng. The Buyers do not hold, directly or indirectly, any shares in the capital of the Company (the “**Shares**”) and are independent third parties from the Company, the Directors and controlling shareholders of the Company.

3.2. Information on PAM TJ

PAM TJ is a wholly-owned direct subsidiary of the Company established under the laws of the People’s Republic of China and is engaged in the manufacturing and supply of pipes, fittings, valves and other related accessories. PAM TJ’s principle asset is the LUR for a piece of undeveloped bare land situated in Tianjin Ecocity, People’s Republic of China. PAM TJ is currently dormant.

3.3. Principal Terms of the Proposed Disposal

The principal terms of the Proposed Disposal are set out as follows:

3.3.1. Consideration

The aggregate consideration (the “**Consideration**”) for the Proposed Disposal is RMB14,645,709 (equivalent to approximately SGD 2,825,157), which will be fully satisfied in cash. The Proposed Disposal will be subject to introducer fees of RMB2,000,000 (equivalent to approximately SGD 385,800) (the “**Introducer Fee**”) payable upon successful completion of the transfer of shares to the Buyers by the Company (the “**Completion**”). The Introducer Fee constitutes payment to the introducer engaged by the Group. The introducer is Flat Sea Marine Equipment Limited, an independent third party from the Company, the Directors and controlling shareholders of the Company.

The Consideration was arrived at in good faith and on an arm’s length basis, taking into account the following factors:

- (i) The net book value of the LUR of RMB 5,695,163 (equivalent to approximately SGD 1,098,597) as at 30 October 2019;
- (ii) The net asset value of PAM TJ as at 30 October 2019 as recorded in the books of the Company is RMB 9,081,000 (equivalent to approximately SGD 1,751,736) (“**PAM TJ NAV**”); and
- (iii) The repayment of all intercompany balances owing to PAM TJ amounting to RMB 4,649,709 (Equivalent to approximately SGD 896,934); from PA Water Solutions (Shanghai) Ltd as at 30 October 2019 (the “**Intercompany Balance**”).

Assuming the completion of the Proposed Disposal, the Group will recognise a gain on disposal of RMB 3,564,004 (equivalent to approximately SGD 687,500, computed based on the exchange rate as at the date of this announcement) (the “**Gain on Disposal**”). The Gain on Disposal was calculated based on the Consideration less the Introducer Fee and PAM TJ NAV.

3.3.2. Terms of Payment

The Buyers will pay to the Company a deposit of RMB 3,000,000 (equivalent to approximately SGD 578,700) in cash which shall comprise part of the Consideration by 8 November 2019 (the “**Deposit**”). The Company has received the Deposit from the Buyers on 8 November 2019.

The shares transfer will be done concurrently with the payment of the remaining balance of the Consideration amounting to approximately RMB 11,645,709 (equivalent to approximately SGD 2,246,475) and will be expected to be completed by 28 February 2020. The balance of the Consideration will be wholly satisfied in cash.



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3.3.3. Conditions Precedent

The key conditions precedent to Completion include the following:

- (a) **Approvals and Consents:** the obtaining of requisite approvals and consents for the Proposed Disposal and for the transfer of the Sale Shares of PAM TJ from Shareholders and governmental authorities, where applicable;
- (b) **Deposit:** RMB 3,000,000 (equivalent to approximately SGD 578,703) to be received from the Buyers by 8 November 2019;
- (c) **Intercompany balances:** settlement of all intercompany balances by way of cash receipt, payable by PA Water Solutions (Shanghai) Ltd, the Company's wholly-owned subsidiary, amounting to RMB 4,649,709 (equivalent to approximately SGD 896,934); and
- (d) **Transfer of shares:** the balance of the Consideration shall be satisfied by cash by 28 February 2020.

4. VALUE OF THE SALE SHARES

4.1. As at 30 October 2019, the value of the Sale Shares of PAM TJ as recorded in the books of the Company is RMB 9,081,000 (equivalent to approximately SGD 1,751,736), being the net asset value of PAM TJ;

4.2. The excess of the Consideration over the book value of PAM TJ as recorded in the books of the Company as at 30 October 2019 is approximately SGD 567,923 (equivalent to approximately RMB 2,944,113).



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5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures of the Proposed Disposal computed on the bases as set out in Rule 1006 of the Catalist Rules using the Group's latest announced unaudited consolidated financial statements for the financial period for the six months ended on 30 June 2019 ("HY2019") are set out as follows:

Rule 1006	Bases of calculation	Relative figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value.	11.50%
(b)	The net loss attributable to the assets acquired or disposed of compared with the group's net profits.	-5.31%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	65.95%
(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.	N.A.
(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.	N.A.

Notes:-

- (1) The unaudited net asset value of the Group and PAM TJ as at 30 June 2019 were approximately SGD 15,946,000 and SGD 1,833,178 respectively.
- (2) The unaudited net profit of the Group for HY2019 was approximately SGD 616,000 and the unaudited net loss of PAM TJ for HY2019 was approximately SGD 32,705 respectively.
- (3) The Company's market capitalisation was approximately SGD 4,284,040, computed by multiplying 214,202,036 Shares by the volume-weighted average price per Share of SGD 0.020 as at 24 October 2019 (being the last trading day for the shares of the Company preceding the date of the Agreement).
- (4) Not applicable, as no equity securities will be issued by the issuer as consideration in respect of the Proposed Disposal.
- (5) Not applicable, as the Proposed Disposal is not a disposal of mineral, oil and gas assets.

As the relative figure under Rule 1006(c) of the Catalist Rules exceeds 50%, the Proposed Disposal constitutes a "Major Transaction" as defined under Chapter 10 of the Catalist Rules and will be subject to the approval of the Shareholders at an EGM to be convened.

Notwithstanding that the relative figure under Rule 1006(b) of the Catalist Rules is a negative figure, the Proposed Disposal relates to a disposal of a loss-making dormant subsidiary and the approval of Shareholders in respect of the Proposed Disposal will be sought for at an EGM to be convened.



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6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

6.1. Bases and Assumptions

The pro forma financial effects of the Proposed Disposal are presented for illustration purposes only and do not reflect the actual future financial performance and position of the Group after Completion. The financial effects of the Proposed Disposal are based on the Group's latest audited financial statements for the financial year ended 31 December 2018 and adopt the following assumptions:

- (a) the financial effects on the Group's net tangible asset (the "NTA") attributable to the Shareholders and the NTA per Share have been computed assuming that Completion took place on 31 December 2018; and
- (b) the financial effects on the Group's earnings attributable to the Shareholders and the loss per Share have been computed assuming that Completion took place on 1 January 2018.

The financial impact takes into account the Introducer Fee of RMB 2,000,000 (equivalent to approximately SGD385,800).

6.2. NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group (S\$'000)	15,587	16,243
Number of shares ('000)	214,202	214,202
NTA per share (Singapore cents)	7.28	7.58

6.3. Earnings per Share

	Before the Proposed Disposal	After the Proposed Disposal
Net Profit (S\$'000)	506	1,092
Weighted average number of shares ('000)	214,202	214,202
Earnings per share (Singapore cents)	0.24	0.51



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7. USE OF PROCEEDS

The net cash proceeds (after deducting Introducer Fee and settlement of Intercompany Balances) of approximately RMB 8,000,000 (equivalent to approximately SGD 1,500,000) from the Proposed Disposal will be used by the Group for working capital purposes, including but not limited to payment of operating expenses such as general overheads, salary and trade purchases.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors or substantial shareholders or their respective associates have any interest, direct or indirect, in the Proposed Disposal.

9. SERVICE CONTRACTS

No service contracts will be entered into in connection with the Proposed Disposal.

10. DOCUMENTS FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company, 2 Kallang Avenue, CT Hub #05-19, Singapore 339407, for three (3) months from the date of this Announcement.

11. FURTHER INFORMATION

The Company will update Shareholders on any material developments in relation to the Proposed Disposal and will make such announcements as and when appropriate.

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman

11 November 2019

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") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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 Ms Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).