

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

HALF YEAR UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

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.

STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2019

	Period Ended 30-Jun-19 S\$'000	Period Ended 30-Jun-18 S\$'000	Increase/ (Decrease) %
Revenue	12,565	9,939	26.4
Cost of sales	(8,012)	(7,699)	4.1
Gross profit	4,553	2,240	103.3
Interest income	2	5	(60.0)
Other gains	144	57	152.6
Marketing and distribution costs	(1,550)	(1,311)	18.2
Administrative expenses	(2,179)	(1,849)	17.8
Finance costs	(111)	(62)	79.0
Other losses	(205)	(40)	412.5
Share of profit from equity-accounted associate	21	-	NM
Share of (loss) / profit from equity-accounted joint ventures	(59)	22	NM
Profit / (loss) before tax	616	(938)	NM
Income tax expenses	(192)	(5)	3740.0
Profit / (loss) net of tax	424	(943)	NM
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- (Loss) / gain	(37)	344	NM
Other comprehensive (loss) / income for the year, net of tax	(37)	344	NM
Total comprehensive income / (loss)	387	(599)	NM
Profit / (loss) attributable to owners of the parent, net of tax	396	(941)	NM
Profit / (loss) attributable to non-controlling interests, net of tax	28	(2)	NM
Profit / (loss) net of tax	424	(943)	NM
Total comprehensive income / (loss) attributable to owners of the parent	359	(611)	NM
Total comprehensive income attributable to non-controlling interests	28	12	133.3
Total comprehensive income / (loss)	387	(599)	NM

NM - Not Meaningful

Notes to Consolidated Statement of Comprehensive Income

	Period Ended 30-Jun-19 S\$'000	Period Ended 30-Jun-18 S\$'000	Increase/ (Decrease) %
<u>Revenue</u>			
Sale of goods	12,350	9,939	24.3
Commission income	215	-	NM
	12,565	9,939	26.4
Interest income	2	5	(60.0)
<u>Depreciation expense</u>			
Cost of sales	(77)	(69)	11.6
Marketing and distribution costs	(26)	(27)	(3.7)
Administrative expenses	(322)	(254)	26.8
	(425)	(350)	21.4
<u>Other gains</u>			
Gain on disposal of property, plant and equipment, net	48	-	NM
Government grant	22	14	57.1
Sundry income	74	5	1380.0
Foreign exchange adjustment losses	-	38	NM
	144	57	152.6
<u>Finance costs</u>			
Interest expense	(111)	(62)	79.0
<u>Other losses</u>			
Bad trade debts written off	(3)	(2)	50.0
Loss on disposal of property, plant and equipment, net	-	(7)	NM
Sundry expense	(5)	-	NM
Inventories written off	-	(1)	NM
Gains on disposal of associates, net	(29)	-	NM
Amortisation of land use rights	(40)	(30)	33.3
Foreign exchange adjustment losses	(128)	-	NM
	(205)	(40)	412.5

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.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	(Unaudited) <u>Group</u> <u>30-Jun-19</u> <u>S\$'000</u>	Audited <u>Group</u> <u>31-Dec-18</u> <u>S\$'000</u>	(Unaudited) <u>Company</u> <u>30-Jun-19</u> <u>S\$'000</u>	Audited <u>Company</u> <u>31-Dec-18</u> <u>S\$'000</u>
<u>ASSETS</u>				
<u>Non-current assets</u>				
Property, plant and equipment	9,815	8,945	2,852	2,989
Investments in subsidiaries	-	-	4,967	3,467
Investments in associate	86	647	-	-
Investments in joint ventures	42	101	-	-
Land use rights	1,151	1,184	-	-
Right-of-use, assets	44	-	-	-
Other assets, non-current	18	18	18	18
Total non-current assets	11,156	10,895	7,837	6,474
<u>Current assets</u>				
Asset held for sale under FRS 105	1,152	1,152	1,038	1,038
Inventories	2,243	2,532	109	110
Trade and other receivables	6,819	9,973	6,201	7,373
Other assets, current	1,259	1,106	93	84
Income tax recoverable	66	208	-	-
Right-of-use, assets	54	-	-	-
Cash and cash equivalents	4,693	2,837	278	562
Total current assets	16,286	17,808	7,719	9,167
Total assets	27,442	28,703	15,556	15,641
<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	(116)	(79)	-	-
Retained earnings / (accumulated losses)	762	366	(2,068)	(2,127)
Equity, attributable to owners of the parent	15,946	15,587	13,232	13,173
Non-controlling interests	22	(6)	-	-
Total equity	15,968	15,581	13,232	13,173
<u>Non-current liabilities</u>				
Deferred tax liabilities	53	53	33	33
Other financial liabilities, non-current	4,276	2,761	-	-
Lease liability, arising from right-of-use assets, non-current	45	-	-	-
Total non-current liabilities	4,374	2,814	33	33
<u>Current liabilities</u>				
Other financial liabilities, current	240	1,026	8	33
Lease liability, arising from right-of-use assets, current	54	-	-	-
Trade and other payables, current	6,806	9,282	2,283	2,402
Total current liabilities	7,100	10,308	2,291	2,435
Total liabilities	11,474	13,122	2,324	2,468
Total equity and liabilities	27,442	28,703	15,556	15,641

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-19		As at 31-Dec-18			
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
240	0	1,026	0		
Amount repayable after one year					
As at 30-Jun-19		As at 31-Dec-18			
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
4,276	0	2,761	0		

The Group's bank borrowings and debt securities of 30 June 2019 of S\$4,397,000 (31 December 2018 : S\$3,611,000) were secured by:

- a. A negative pledge over the assets of the Company;
- b. Company's property in Tuas; and
- c. Corporate guarantees from the Company.

The obligations under finance lease of S\$119,000 as at 30 June 2019 (31 December 2018 : S\$176,000) 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 Period ended 30-Jun-19 S\$'000	Group Period ended 30-Jun-18 S\$'000
Cash flows from operating activities		
Profit / (loss) before tax	616	(938)
Adjustments for:		
Amortisation of land use rights	40	30
Depreciation of property, plant and equipment	425	350
Interest income	(2)	(5)
Interest expense	111	62
Loss on disposal of associates	29	-
Inventories written off	-	1
Inventories adjustment	-	(12)
(Gain) / loss on disposal of property, plant and equipment, net	(48)	7
Share of profit from equity-accounted associate	(21)	-
Share of loss / (profit) from equity-accounted joint ventures	59	(22)
Operating cash flow before changes in working capital	<u>1,209</u>	<u>(527)</u>
Trade and other receivables	3,706	(852)
Other assets	(153)	(1,928)
Inventories	289	361
Trade and other payables	<u>(2,476)</u>	<u>2,478</u>
Net cash flows from operations	2,575	(468)
Income taxes (paid) / refunded	<u>(50)</u>	<u>43</u>
Net cash flows from (used in) operating activities	<u>2,525</u>	<u>(425)</u>
Cash flows from investing activities		
Interest received	2	5
Proceeds from disposal of plant and equipment	48	-
Purchase of property, plant and equipment	<u>(1,193)</u>	<u>(269)</u>
Net cash flows used in investing activities	<u>(1,143)</u>	<u>(264)</u>
Cash flows from financing activities		
Finance lease repayment	(147)	-
Increase in borrowings	1,712	-
Interest paid	(108)	(62)
Proceeds of finance lease	-	42
Repayment of bank borrowings	(926)	(452)
Payment of lease liability	<u>(29)</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>502</u>	<u>(472)</u>
Net increase (decrease) in cash and cash equivalents	1,884	(1,161)
Effect of exchange rate changes on cash and cash equivalent	(28)	337
Cash and cash equivalents, statement of cash flows, beginning balance	<u>2,837</u>	<u>3,853</u>
Cash and cash equivalents, statement of cash flows, ending balance	<u>4,693</u>	<u>3,029</u>
Represented by:		
Cash and cash equivalents	<u>4,693</u>	<u>3,029</u>
Cash and cash equivalents, statement of cash flows, ending balance	<u>4,693</u>	<u>3,029</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 / (Accumulated losses) S\$'000	Attributable to Parent sub-total S\$'000	Non- Controlling Interests S\$'000	Total Equity S\$'000
GROUP:						
Current period:						
Balance as at 1 January 2019	15,300	(79)	366	15,587	(6)	15,581
Movements in equity:						
Total comprehensive (loss) / income for the year	-	(37)	396	359	28	387
Balance as at 30 June 2019	15,300	(116)	762	15,946	22	15,968
Previous year:						
Balance as at 1 January 2018	15,300	(134)	1,573	16,739	(7)	16,732
Movements in equity:						
Total comprehensive income / (loss) for the year	-	330	(941)	(611)	12	(599)
Balance as at 30 June 2018	15,300	196	632	16,128	5	16,133
COMPANY:						
Current period:						
Balance as at 1 January 2019	15,300	-	(2,127)	13,173	-	13,173
Movements in equity:						
Total comprehensive Income for the year	-	-	59	59	-	59
Balance as at 30 June 2019	15,300	-	(2,068)	13,232	-	13,232
Previous year:						
Balance as at 1 January 2018	15,300	-	732	16,032	-	16,032
Movements in equity:						
Total comprehensive loss for the year	-	-	(546)	(546)	-	(546)
Balance as at 30 June 2018	15,300	-	186	15,486	-	15,486

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 and the number of subsidiary holdings,, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed, 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 2018 up to 30 June 2019. The Company's share capital as at 31 December 2018 and 30 June 2019 remained at S\$15,300,000 and comprised 214,202,036 shares.

There were no convertible securities, treasury shares or subsidiary holdings outstanding as at the end of 30 June 2019 and 31 December 2018.

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 2018 and 30 June 2019	214,202,036

The Company did not have any treasury shares during and as at the end of the respective financial periods reported on.

1(d)(iv) A statement showing all sales, transfers, 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 shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings 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 2018.

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 Singapore Financial Reporting Standards (International) (“SFRS(I)”) and Interpretations of SFRS(I) (“INT FRS”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The application of the new and revised standards and interpretations has no material effect on the financial statements, except for the adoption of SFRS(I) 16 – Leases.

The Group has adopted the new SFRS(I) 16 - Leases, which took effect on 1 January 2019. The standard requires a lessee to recognise the rights to use leased assets as Right-Of-Use (“ROU”) asset and a lease liability representing its obligation to make lease payments.

The group applied the standard using the modified retrospective approach, therefore the comparative figures announced in 2Q FY2018 have not been restated. At the date of initial application, the Group has applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to the initial recognition, the Group depreciates the ROU assets over its lease term and recognize interest expenses on the lease liabilities.

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-19	30-Jun-18
(i) Based on weighted average number of ordinary share in issue (cents)	0.19	(0.44)
Weighted average number of ordinary shares in issue	214,202,036	214,202,036
(ii) On a fully diluted basis (cents)	0.19	(0.44)

Basic and diluted earnings per share were the same as there was no potential dilutive securities in issue as at 30 June 2019 and 30 June 2018.

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-19	As at 31-Dec-18	As at 30-Jun19	As at 31-Dec-18
Net Asset Value per Ordinary Share based on issued share capital	7.44	7.28	6.18	6.15

Net asset value per ordinary share is calculated based on 214,202,036 (31 December 2018: 214,202,036) ordinary shares at 30 June 2019.

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 results

The Group's revenue increased on a half-yearly basis due to an increase in revenue contributed by the Singapore operations due to completion of projects from the engineering solutions division that were carried forward from precedent year.

Gross Profit

Group gross profit has accordingly increased, as a result of both higher revenue and a higher proportion of sales of premium piping products with higher gross margin.

Marketing and Distribution Costs

Marketing and distribution costs increased mainly due to higher incentive provisions as a result of higher sales volume as well as higher rental expenses in 1H2019.

Higher rental expenses were recorded in 1H2019 as the rental agreement for Duvalco Valves & Fittings (Wuxi) Co. Ltd's rental agreement only took effect subsequent to Q2 2018.

Administrative Expenses

Administrative expenses increased mainly due to Duvalco Valves & Fittings (Wuxi) Co. Ltd started operations subsequent to Q2 2018.

Finance Costs

Finance cost increased, mainly attributable to increase interest expense incurred for land and building's loan, as a result of higher loan amounts being drawn down.

Other losses

Other losses increased mainly due to foreign exchange adjustment losses and loss on disposal of associates DWK Valves (Tianjin) Co. Ltd in China.

Depreciation expense

Depreciation expense increased by S\$75,000 mainly attributable to higher depreciation in land and building as the property in Tuas South Link 3 has been completed.

Financial Position

Non-current assets increased mainly due to increase in the net book value of property, plant, and equipment due to completion of construction of the plant in Tuas South Link 3, offset by the decrease in investments in associate due to disposal of DWK Valves (Tianjin) Co. Ltd. Current assets decreased mainly due to lower trade and other receivables which is largely due to stringent sales terms such as letters of credit and cash-on-delivery.

Non-current liabilities increased mainly due to increase in term loan for construction of property in Tuas South Link 3. Current liabilities decreased due to lower trade payables as a result of both timely payments and shorter payment terms, lower deposit from customers compared to the last reporting period, and lower short term borrowings from banks' facilities.

The Right-of-use and Lease liability arose from the adoption of the new SFRS(I) 16 – Leases. Refer to paragraph 5 for reasons and explanation.

Statement of Cash Flow

Operating activities recorded an inflow of S\$2.5 million largely due to better collection of trade and other receivables and due to stringent customers' payment terms.

Investing activities recorded a net cash outflow mainly due to construction of the plant at Tuas South Link 3.

Financing activities recorded a net cash inflow mainly due to bank borrowings of S\$0.5 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 FY2018 financial results announcement dated 1 March 2019.

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.

The Group's increased focus on engineering solutions ("ES") has seen positive progress. As at 30 June 2019, the Group's orders on hand is approximately S\$18 million, an increase as compared to the order book as at 31 December 2018.

However, the Group does not expect much of the orders to be realised in 2H 2019, as most orders on hand are of longer term of 2 to 3 years.

The Group expect the next 6 to 12 months to remain challenging, despite being cautiously optimistic towards the long-term view.

Construction of plant in Tuas South Link 3 had been completed, and presently being used as the group's warehouse.

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 and the reason(s) for the decision.

No dividend is declared or recommended for the current financial period reported on as the Company has decided that it is prudent to conserve cash in view of orders on hand which will require sufficient operating cash flow.

13. Interested Party Transactions

The Group did not obtain a general mandate from shareholders for Interested Party Transactions.

Save as disclosed below, there were no other interested person transactions entered into during 1H2019.

Name of Interested Persons and Details of Transactions	Aggregate value of all interested person transactions during the financial period under review (excluding transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	S\$'000	S\$'000
Payments made by the Group to:-		
(A) Duvalco International		
5% of gross sale of Duvalco Brand of products	17.6	-
(B) Duvalco Wuxi ("DVW")		
Rental of manufacturing equipment by Duvalco Valves & Fittings (Wuxi) Co. Ltd. ("DVF") from DVW between Jan'19 to June'19	80.0	-
Purchases of raw materials stocks by DVF from DVW between Jan'19 to June'19	38.0	-
Cost reimbursement for employment of DVW staffs by DVF between Jan'19 to June'19 in relation to the Set Up as disclosed in the announcement dated 12 April'18.	55.5	-
Rental of manufacturing premises by DVF from DVW between Jan'19 to June'19	120.0	-
Total	311.1	-

* Rental agreements between Duvalco Wuxi and DVF on equipment and premises had lapsed on 30 April 2019. As mutually agreed between Duvalco Wuxi and DVF, rental from 1 May 2019 to 30 June 2019 are being paid on monthly basis at the same rates as the lapsed rental agreement, until DVF ceases operations as a result of DVW's relocation.

- A. Duvalco International is a company wholly-owned by Xu Jia Zu Holdings Pte Ltd ("XJZ"). The Directors and Shareholders of XJZ are Koh Eddie and Richard Koh Chye Heng. The Directors of Duvalco International are Richard Koh Chye Heng and Koh Bee Soo. Koh Eddie is the Managing Director and Chief Executive Officer of the Company, Richard Koh Chye Heng is the Executive Chairman of the Company, and Koh Bee Soo is sister of Richard Koh Chye Heng.
- B. Duvalco Wuxi is a company wholly-owned by Richard Koh Chye Heng, the Executive Chairman of the Company.

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 2019 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) of the Catalist Rules

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
14 August 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).