Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Pan Asian Holdings Limited

Stock code: 5EW

Meeting details:
Date: 5 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. Would the board/management provide shareholders with better clarity on the following operational/strategic issues? Specifically:

(i) **Revenue:** As shown in the financial highlights (page 11 of the annual report), revenue has slipped from $44.7 million in FY2015 to $23.4 million in FY2019. **How sustainable is the business model of a supplier/agent for other brands?**

(ii) **MUHR: Can management update shareholders on the progress made by the joint venture company, Muhr Asia Pte. Ltd.?**

(iii) **Singapore property:** Since July 2017, the group has made the decision to sell the property in Singapore which has a carrying value of $1.038 million. **Can management help shareholders understand the reasons for the delay? What is the condition of the property? Has the property been tenanted out in the past 3 years?**

(iv) **Malaysia property:** Similarly, the property in Malaysia was acquired in 2017 and held in trust by a third-party because the Malaysia Law forbids non-citizen to acquire properties with value less than RM1 million. **What are the efforts by management to sell the asset? Has the group collected any rent from the asset in the past 3 years?**

(v) **Pan Asian Manufacturing (Tianjin) Co., Ltd:** For the sale of the subsidiary, the introducer fee amounting to RMB2 million is 14% of the sale consideration of RMB14.6 million. **How did the board/management determine the introducer fee?**

Q2. In 2019, the group has sold off and divested its non-core assets (such as Pan Asian Manufacturing (Tianjin) Co. Ltd and PA Tech (Asia) Pte. Ltd.) and will be seeking shareholders' approval for a new mandate to diversify the group to a new food and beverage business with the initial focus on natural plant based health foods and edible products including but not limited to the following:
(a) Tea, coffee and other beverages;
(b) Roasted nuts and cookies;
(c) Powders;
(d) Edible oils; and
(e) Health supplements.

Management has stated that it will focus on the *Plukenetia Volubilis*, commonly known as the Sacha Inchi plant.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(i) **What is the track record and experience of the board/management team to develop farms/plantations, manufacture food/tea products on a large scale and subsequently to market it successfully to consumers in a very competitive market?**

(ii) **Specifically, how credible would the products be perceived by the market as a natural and health food?**

(iii) **How confident is management at launching a new food product that is unknown in the market?**

(iv) **What is the cost of capital? What was the hurdle rate used by management in its investment approval? What is the estimated payback period?**

(v) **What is the total amount earmarked to support this new business and how is the group going to fund this?**

Q3. As disclosed in Note 4 (pages 66 to 69 – Financial information by operating segment), the group is organised in four major strategic operating segments that offer different products and services: (1) General trading, (2) Engineering solutions, (3) Valves and (4) Others.

The segments and the types of products and services are as follows:
(1) General trading ("GT") – Trading of water piping materials and related accessories;
(2) Engineering solutions ("ES") – Provision of specialised products to water infrastructure products;
(3) Valves ("VA") – Valves for municipal and industrial applications; and
(4) Others – Supply of parts and accessories in Oil & Gas industry and other non–water related products.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

The results of the operating segments are shown in the table below:

Profit or loss from continuing operations and reconciliations

	GT		ES		VA		Others		Unallocated		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue by segment												
External revenue	10,146	14,066	7,913	5,368	3,459	5,327	1,854	529	–	–	23,372	25,290
Segment results :–												
Gross profit	4,413	3,164	2,808	833	691	1,737	15	508	–	–	7,927	6,242
Interest income							–	–	5	9	5	9
Finance costs							–	–	(235)	(153)	(235)	(153)
Amortisation of land use rights							(57)	(59)	–	–	(57)	(59)
Depreciation of property, plant and equipment							–	–	(754)	(708)	(754)	(708)
Depreciation of right-of-use assets							–	–	(83)	–	(83)	–
Employee benefits expenses							–	–	(4,142)	(4,201)	(4,142)	(4,201)
Unallocated corporate expenses							–	–	(2,071)	(2,469)	(2,071)	(2,469)
Other (loss) / gains							–	–	(72)	186	(72)	186
Share of profit (loss) from equity-accounted associate							–	–	115	18	115	18
Share of profit (loss) from equity-accounted joint ventures							–	–	22	58	22	58
Profit / (loss) before tax											655	(1,077)
Income tax expenses											(219)	(150)
Profit / (loss) net of tax											436	(1,227)

(Source: company annual report)

As seen from the table above, management does not allocate finance costs ($0.235 million), depreciation of property, plant and equipment ($0.75 million) to the operating segments. In addition, there are unallocated corporate expenses amounting to $2.07 million. Employee benefits expenses amounting to $4.142 million were unallocated too.

All the segments show positive gross profits of between $15,000 and $4.41 million even though the group reported a net profit of just $436,000.

(i) **Would the audit committee be reviewing how it could further improve the presentation of the operating segments so that shareholders have a better basis to assess the operating performance and also for the chief operating decision maker to be better informed in his resource allocation?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US