



PAN ASIAN HOLDINGS LIMITED

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

RESPONSES TO SGX QUERIES IN RESPECT TO THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND CIRCULAR TO SHAREHOLDERS DATED 3 APRIL 2020

Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the Company's FY2019 AR and Circular (as defined below).

The Board of Directors (the "**Board**") of Pan Asian Holdings Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the following:

- (a) the annual report of the Company for the financial year ended 31 December 2019 ("**FY2019 AR**") announced on 9 April 2020; and
- (b) the circular to Shareholders (the "**Circular**") dated 3 April 2020 on the Proposed Diversification of the Current Core Business to Include the New Business and the Proposed Adoption of the New Constitution ("**SGX Queries**").

The Company's responses to the SGX Queries are as set out below.

SGX Queries	Company's Responses
<p>(1) Would the board/management provide shareholders with better clarity on the following operational/strategic issues? Specifically:</p> <p>(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?</p> <p>(ii) MUHR: Can management update shareholders on the progress made by the joint venture company, Muhr Asia Pte. Ltd.?</p> <p>(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</p>	<p>(i) The general trading of water pipping materials and related accessories remains the core business of the Group. While overall business conditions remain weak and uncertain due to the impact of Covid-19, the management remains cautiously optimistic that the business model is sustainable in the long term as we have secured exclusive distribution rights with the manufacturers.</p> <p>(ii) The Group's joint-venture in MUHR Asia Pte Ltd have made good progress by recording a net profit before tax of S\$90,000 for the financial year ended 31 December 2019. While overall business conditions remain weak and uncertain due to the impact of Covid-19, given the progress of the joint-venture, the Group is cautiously optimistic for the joint-venture to remain profitable for FY2020.</p> <p>(iii) The demand for industrial properties in Singapore remains low since 2017 as there was an oversupply of industrial units in the Singapore market.¹ There were enquiries and viewing from potential buyers, however, none was converted to actual sales. The property has been properly maintained and is in move-in condition with proper fittings and installations such as air-conditioning, windows and doors and partitions. The property has not been tenanted out in the past 3 years as there were no</p>

1: source from <https://www.edgeprop.sg/property-news/economic-headwinds-may-moderate-industrial-rents-2020>



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<p>property? Has the property been tenanted out in the past 3 years?</p> <p>(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?</p> <p>(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?</p>	<p>interested tenants seeking short term lease with a view to move out upon sale of the property.</p> <p>(iv) Management have been actively seeking sale of the unit for the past 3 years however, they were not able to find potential buyers at the right price. The property has not been tenanted out in the past 3 years as there were no interested tenants seeking short term lease with a view to move out upon sale of the property.</p> <p>(v) Pan Asian Manufacturing (Tianjin) Co., Ltd (“PAM TJ”) has been dormant since the financial year 2015 and the main asset in PAM TJ was the land use rights (“LURs”) for a piece of land in Tianjin Ecocity, which the Group was originally scheduled to commence development on the land before 1 November 2011 and complete development on the land by 31 December 2012. Up to the date of disposal, the Group has not been able to commence development on the land, with no official extension of the LUR by the Tianjin authorities, and a possible penalty of confiscation of the land. This has been duly disclosed in the audited financial statements as a key audit matter since the financial year ended 31 December 2016 and an Emphasis of Matter prior to that. The Group have been actively looking for a way to resolve the situation, including the potential sale of PAM TJ, since the financial year ended 31 December 2015.</p> <p>The introducer fee was determined between the management and the introducer based on the difference between the selling price and the net asset value of PAM TJ, subject to a cap at RMB 2,000,000</p> <p>For further details, shareholders can refer to the Company’s announcement dated 11 November 2019 and the Company’s Annual Reports for FY2013 to FY2019.</p> <p>Based on the above, the Board was satisfied with the rationale and benefits of the disposal, including the basis for the Consideration of approximately RMB 14.6 million and the Introducer Fee of RMB 2.0 million.</p>
<p>(2) 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</p>	



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<p>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 <i>Plukenetia Volubilis</i>, commonly known as the Sacha Inchi plant.</p> <p>(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?</p> <p>(ii) Specifically, how credible would the products be perceived by the market as a natural and health food?</p> <p>(iii) How confident is management at launching a new food product that is unknown in the market?</p> <p>(iv) What is the cost of capital? What was the hurdle rate used by management in its investment</p>	<p>(i) The Group is diversifying into a new business and inherently the current management does not have any proven direct track record and experience in the New Business. This has been disclosed in paragraph 2.6(a) and 2.6(b) of the Circular to Shareholders in relation to The Proposed Diversification of the Current Core Business to Include the New Business (the "Circular").</p> <p>We do however note that as disclosed in paragraph 2.4 of the Circular, the New Business and related management will be overseen and spearheaded by the Executive Chairman, Mr Richard Koh Chye Heng and the managing director of the Group's Current Core Business, Ms Kelly Koh Mee Lin, who have extensive collective management experience and operating in developing markets. As and when the New Business expands, the Group will also, when necessary, employ new employees, experts and professionals to be part of the management team of the New Business.</p> <p>(ii) As disclosed in paragraph 2.2 of the Circular, the products are special health food rich in essential fatty acids such as Omega 3, 6 and 9. Our products are certified by international authorities such as the United States Department of Agriculture, Japanese Agricultural Standards and Organic European Union to be Organic food. Our products are also eligible to carry the Healthier Choice Symbol as licensed by the Health Promotion Board. With all these credentials, we believe our products would be credible to be marketed as natural and health food.</p> <p>(iii) As disclosed in paragraph 2.3(c) of the Circular, the Management views it as a competitive advantage that Sacha Inchi is a new product with relatively few large scale market players in Singapore and Asia. As disclosed in paragraph 2.3(d) of the Circular, the Management also believes there is a shifting consumer preference towards healthier foods and rising trends in health and wellness. Management is therefore confident of launching Sacha Inchi.</p> <p>(iv) The projected cost of capital, based on the paid-up capital, projected capital expenditure and working capital is approximately 10%, representing a payback period of approximately 10 years</p>
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<p>approval? What is the estimated payback period?</p> <p>(v) What is the total amount earmarked to support this new business and how is the group going to fund this?</p>	<p>with a minimum hurdle rate of 3%. The payback period of approximately 10 years is management's conservative estimate.</p> <p>(v) The total amount earmarked to support this new business is THB 10 million or approximately S\$455,000. The Company plans to finance the New Business using internal sources of funds or financial institution borrowings and facilities or a combination of both. As and when necessary and deemed appropriate, the Company may explore secondary fund-raising exercises by tapping the capital markets including but not limited to, rights issue, share placement and/or issuance of debt instruments. The Group will remain prudent and take into account the financial condition of the Group in deciding the property investments it undertakes under the New Business and the amounts thereof.</p>
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By Order of the Board

Richard Koh Chye Heng
Executive Chairman
4 June 2020

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).