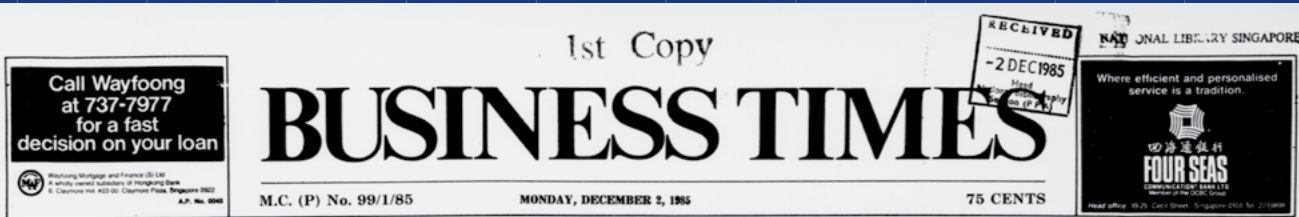


FRIDGE MAKER FREEZES STOCK MARKET

Pan-Electric Industries started out as Singapore's fridge maker. However, its aggressive expansion and questionable practices led to enormous debts that caused a three-day closure of the Singapore and Kuala Lumpur stock markets in 1985.

By Joanna Tan



Statements by Tan Koon Swan and Grand United; profiles of companies in the Pan-El crisis, Page 13

A re-examination of all the rules has become necessary

By HOCK LOCK SIEW

NO MATTER what the next episode in the Pan-El crisis brings, Singapore's reputation as a financial capital will already have suffered as a result of this debacle, the gravest in the Republic's financial history.

Repercussions for bankers, brokers, investors, creditors and politicians are immense.

Starting at the Pan-El level, questions have to be raised about the apparent abuse of a public company's position. Even if Pan-El's subsidiaries are allowed, legally, to enter into forward contracts for listed securities for as up to \$140 million, it's more than a

touch cavalier to do so without shareholders' approval when the net worth of the group was only \$160 million at the last official count.

The line dividing private from public interests will have to be redrawn. Investors, local and foreign, are going to start questioning why share prices have been at the level they have been.

In spite of the 21 months of stock-market decline and a corporate profit collapse, most companies are still rated at double-digit P/E ratios. That's not because an earnings recovery is in sight. The game of supporting share prices at relatively high levels so that holders can borrow against scrip has just been blown wide open.

The extent of the damage that Pan-El can inflict on the broking community is immeasurable. Of the \$140 million worth of contracts which Pan-El has entered into, only \$40 million has been paid as a margin deposit. When the contracts will mature is not clear but when they do Pan-El will hardly be in a position to stump up.

Can the brokers concerned withstand the impact of a default of that size? Unlikely. Without outside help, some are looking at bankruptcy.

Not all are so precariously positioned. But some will escape the fallout. The repercussions will flow right through the trading system fast.

As for the bankers concerned, those

who are running small operations are bound to reassess their future in Singapore. In this economic climate, losses can easily be incurred: "good" business is limited. They will have to decide whether it is worth supporting an office in Singapore at all.

And lending procedures are bound to be rethought too. As it stands, banks often lend in the dark, unable to verify what the true purpose of a loan is and unable to gauge a client's credit-worthiness. A borrower does not have to reveal every source of finance and without a client's permission one bank may not ask another for details of a customer's indebtedness. The problems masked by these conditions are now

glaringly obvious. And then there is the relationship between such financial institution and the MAS. It normally maintains a stance of non-interference but appears to have done a U-turn in this case, stepping in to encourage a rescue operation, at least when one seemed legally feasible. What kind of strain that has put on individual financial institutions will only become clear in time.

A fast and effective response from the authorities will go some way to retain the damage done to Singapore's reputation. Then they can re-examine, urgently, the rules concerning share trading and share traders. They can't afford to miff this chance.

The impediment which killed plan to save company

By ALAN LEE, Companies Editor

THE CONTROVERSY surrounding Pan-Electric Industries is expected to throw up a host of unsavoury legal issues in the coming weeks.

Indeed, it was a yet unexplained "legal impediment" which scuppered plans drawn up by a group of banks after two weeks of long-drawn negotiations to rescue the company. There are suggestions of more rules being broken in the whole affair and that investigations are being conducted by the relevant authorities.

Together with the problems of how to get Pan-El out of the massive \$140 million forward share purchases, they represented the major stumbling blocks in the rescue operation.

The legal bombshell was dropped last Friday at one of the several meetings held between the Monetary Authority of Singapore (MAS) and Pan-El's creditor banks to find a solution to the myriad of problems afflicting the company. At that meeting, all the creditor banks were informed by the MAS that it had been told by Mr Tan Koon Swan, the key figure in the whole episode, that a legal impediment had arisen.

There was no clue at all as to the nature of this legal hitch, but the statement issued by the steering committee comprising Pan-El's major bankers said it was "unrelated to the issues in question". What that particular issue was was referring to were not clear.

One banker suggested yesterday the legal impediment referred to could be linked to a scheme proposed by Sigma International, which owns 22 per cent of Pan-El, to inject funds into the company. This is said to be impracticable as it violates the Companies Act relating to director-connected loans.

But whatever the legal hindrance, it was serious enough for the creditor banks to abort their rescue plans.

The statement said: "As it was clear that the proposals could not be implemented, it was decided that receivers and

SES suspends all share trading

IN AN UNPRECEDENTED move to buy time and prevent a possible collapse of the stock market arising from the Pan-Electric Industries fiasco, the Stock Exchange of Singapore (SES) has suspended all trading from today until further notice.

SES chairman Mr Ong Tjin An said yesterday the decision is "to cool off the market and for the people to digest the situation". The move follows the decision by Pan-El's creditor

banks on Saturday to place the company under receivership. Pan-El is reported to owe some 30 banks more than \$50 million.

The suspension was a foregone conclusion as industry observers predicted that at least half a dozen stockbroking firms would be badly hit if trading were to continue. A chain effect would be set in motion with overlapping commitments among broking firms, financial institutions, fund investment

trusts and all who have substantial equity investments.

Mr Ong said if trading were not suspended, it could be feared "the share market might fall and that's what we're trying to prevent".

In the first of two brief statements, the SES did not say when the suspension will be lifted but Mr Ong added that it could last "for a few days." In the meantime, delivery and payment in respect of previous contracts entered into by SES member firms

will continue. The SES said it would trigger off panic selling across the Causeway as more than two-thirds of the companies listed in Singapore are also quoted on the KLSE.

"Normally they'll suspend if we suspend" was how Mr Ong put it. The two markets are considered "Siamese twins", and a suspension in one in Singapore would trigger off panic selling across the Causeway as more than two-thirds of the companies listed in Singapore are also quoted on the KLSE.

The SES said following meetings with the Monetary Authority of Singapore and the "Big Four" local banks over the weekend, it will prepare and submit "a scheme for the strengthening of the securities industry" to the MAS. The latter is the subject of a watchdog of the stock market through the Securities Industry Council.

The SES did not give details of the proposed scheme. Some stock market analysts have speculated that it could involve the Big Four local banks helping to improve the financial situation of at least 10 local broking houses which are said to have been badly hit by Pan-El's messy problems.

This may lead to certain

strong financial institutions taking over substantial stakes in the company. In this economic climate, losses can easily be incurred: "good" business is limited. They will have to decide whether it is worth supporting an office in Singapore at all.

And lending procedures are bound to be rethought too. As it stands, banks often lend in the dark, unable to verify what the true purpose of a loan is and unable to gauge a client's credit-worthiness. A borrower does not have to reveal every source of finance and without a client's permission one bank may not ask another for details of a customer's indebtedness. The problems masked by these conditions are now

glaringly obvious. And then there is the relationship between such financial institution and the MAS. It normally maintains a stance of non-interference but appears to have done a U-turn in this case, stepping in to encourage a rescue operation, at least when one seemed legally feasible. What kind of strain that has put on individual financial institutions will only become clear in time.

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Pan-El's four-month long trauma

August and September, 1985: Discussions between Pan-Electric and its major bankers to seek ways to strengthen the company's capital base and to reduce its borrowings.

Sep 27: Pan-El proposed a two-for-five rights issues to raise \$64 million. Half-year results of Pan-El.

Nov 15: Directors of Pan-El informed underwriters that certain subsidiaries of the group had entered into a \$140 million contract, on a forward basis, to buy shares in Grand United Holdings and Supreme Corporation Bhd.

Nov 18: As a result of the disclosure, the company and underwriters decided to call off the proposed rights issue. Pan-El defaulted on a repayment of approximately \$7.3 million in a syndicated loan led by Standard Chartered Merchant Bank Asia.

Nov 19: Trading in shares of Pan-El, Growth Industrial Holdings and Sigma International suspended on the SES and KLSE.

Nov 20: Meeting among creditor banks to discuss the financial position of Pan-El and actions, if any, to be taken. A steering committee of banks set up to represent creditor banks. Price Waterhouse appointed to produce report on Pan-El's financial condition.

Nov 23: Meeting at MAS where a series of financial proposals were agreed to. One of them was the injection of interest-free loan of \$40 million into Pan-El by Tan Koon Swan.

Nov 25: Steering committee presented proposals to creditor banks.

Nov 26: Steering committee met with other creditor banks and financial institutions to resolve flow of queries.

Nov 27: Steering committee obtained support of creditor banks, subject to clarification of a number of issues. MAS updated on the situation.

Nov 28: Another meeting with MAS to discuss question of preference of Mr Tan's loan vis-a-vis the claims of unsecured creditor banks.

Nov 29: MAS informed all creditor banks that a legal impediment, apparently unrelated to the issues in question, had arisen. Creditor banks appointed receivers and managers for the company.

Details of the Nov 23 agreement

- Pan-El to be relieved of its \$140 million outstanding share purchase obligations by Mr Tan Koon Swan and his associates not later than Nov 29. This would result in the group incurring a loss of approximately \$40 million;
- Mr Tan to inject a \$40 million convertible interest-free loan to be held by Price Waterhouse in a special account for the group's operations. Of this amount, \$27 million to be injected on Nov 25 and the balance of \$13 million on March 31, 1986.
- The steering committee of banks to recommend to all creditor banks a moratorium on capital repayment for a 12-month period with interest to be paid on a cost of funds basis;
- Pan-El to agree to the appointment of Price Waterhouse to report on the financial condition of the group; and
- Following completion of Price Waterhouse's report, Mr Tan to put forward a scheme to restructure the group.

THE ARTS
Santa Claus: The Movie is an over-rated, over-decorated package that houses not a gem, but the proverbial piece of coal, says JAIME LYE. The makers were correct to assume that simplicity, where human emotions are concerned, is the key to the heart. But they made the mistake of equating simplicity with mental retardation.
Page 11

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In a move that the *Business Times* called "unprecedented... to buy time and prevent a possible collapse of the stock market", the Stock Exchange of Singapore (SES) announced that all trading on the stock market would be suspended from Thursday, 2 December 1985, until further notice.¹ The stock markets, both in Singapore and Kuala Lumpur, were shut for three days.

What caused the shutdown was the collapse of Pan-Electric Industries, or Pan-El, leading to economic, social and reputational costs to Singapore. This was a watershed in Singapore's financial history.

The suspension was described as a "foregone conclusion" as it was predicted that if trading had continued, at least half a dozen stockbroking firms would be badly hit which would have a domino effect, affecting other broking firms, financial institutions, and anyone or any institution with significant equity investments.²

Pan-El had earlier raised funds through a loan stock issue to finance its expansion and development, but in the year before Pan-El's collapse, its loans had ballooned to \$260 million, with almost \$140 million repayable by 1985, prompting the company to seek extra funding. On 27 September 1985, the company announced a proposed rights issue (when a company offers shareholders the chance to buy additional shares at a reduced price) to get shareholders to contribute \$64 million to help pay debts.³

On 18 November, Pan-El defaulted on an instalment payment of \$7.5 million of a \$75 million bank loan. The company then requested a trading suspension of their shares on both the SES and Kuala Lumpur Stock Exchange on 19 November. On 21 November, as Pan-El announced finalised plans for a rights issue to raise \$80 to 95 million, it was discovered that the company had borrowed \$453 million from 35 banks, of which \$283 million was unsecured.⁴ Banks immediately stopped giving credit to Pan-El as well as to brokers dealing in the company and its subsidiaries.⁵

Mounting Debts and Payment Defaults

It was subsequently revealed that Pan-El and its subsidiaries had entered into \$160 million worth of forward contracts (buying or selling shares at an agreed price in the present on a specified date in the future), with \$140 million in Supreme Corporation Berhad and Grand United Holdings Berhad, and had paid out a \$40 million deposit.⁶

Both companies were controlled by businessman Tan Koon Swan, who was also president of the Malaysian Chinese Association. He had built his wealth from the stock market in the 1970s and owned a stake in Pan-El through Sigma International, an associated company of Grand United Holdings.⁷

While the banks and Pan-El's directors frantically discussed a rescue plan, the Commercial Affairs Investigation Department began their investigations into Peter Tham Wing Fai, a former director of Pan-El, and his relationship with Tan.⁸

Tham and Tan were selling shares to brokers, to be bought back six months later using forward contracts. They assumed that Pan-El's share prices would appreciate at buyback time, but prices fell such that they had to "manipulate and artificially push up the flagging share prices so that they could at least break even and then sell the shares again to unsuspecting investors for another six months". This continued and involved many parties in the stockbroking industry.⁹

It also emerged that banks had lent to stockbroking companies that "were heavily exposed to the Pan-El group and its associated companies, with exposures to Pan-El reported at \$140 million and total forward contract exposures estimated at around \$600 million". There were concerns that these brokerage houses might go bust.¹⁰

Rescue negotiations to save Pan-El failed and the company went into receivership on 30 November 1985 (receivership is when a bank or other financial institution appoints a receiver to manage the company's assets and recover funds). The banks appointed Price Waterhouse as receivers to provide "orderliness and sound financial management as well as to examine the long-term viability" of Pan-El.¹¹

A Stock Market Crisis

To prevent the widespread panic selling of Pan-El shares and further losses by the brokerages as well as to gain time to come up with a solution to the risks faced by the stockbroking industry, the committee of SES – after consultation with the Monetary Authority of Singapore (MAS), DBS Bank, Oversea-Chinese Banking Corporation, Overseas Union Bank and United Overseas Bank (the Big Four banks in Singapore) – made the decision to close the SES and suspend trading from 2 to 4 December 1985. "It is to cool off the market and for the public to digest the news (of receivers being appointed at Pan-El)," said SES chairman Ong Tjin An. (Trading on the Kuala Lumpur Stock Exchange was also suspended).¹²

At a press conference on 3 December, J.Y. Pillay, managing director of MAS, said there was a need to “restore confidence in the stockbroking industry, to assure banks and the investing public that all will be well”. “It was a difficult decision [to suspend trading on the SES] as the damage to the SES and Singapore’s reputation was recognised,” said Minister for Finance Richard Hu in a ministerial statement to Parliament on 10 January 1986.¹³

The crisis “led to scores of failed businesses and half a dozen stockbroking firms here being swept into bankruptcy”. Pillay later recounted in his 1995 oral history interview that the SES was closed as they did not know how many brokerage and security firms were solvent. “So we had to close the Exchange for a period of time in order to figure out which of the brokerages really could survive. Most of them could not. And what to do with all their debts,” he said.¹⁴

The sudden closure impacted all investors, even those who did not hold any Pan-El stocks, inviting harsh criticisms from the foreign press. Singapore’s reputation as an international stock exchange took a hit and confidence in its trading centre was shaken.¹⁵

Pan-El’s collapse also affected employees financially and emotionally. “We are angry because all this is not our fault,” said a long-time employee of subsidiary Selco. “We don’t even know if we will be paid... There are men whose wives are not working.” He added that some of the workers had just bought houses after working for 10 to 15 years.¹⁶

Over at Pan-El, a number of men cried. “Some of them have wives who do not work, with children still at school and other commitments,” said an employee who had been working in

Pan-El for 15 years. She was more concerned for her older colleagues. “They don’t have the paper qualifications the younger people have. They will be hard hit when they go out to look for a job.”¹⁷

Lifeboat Fund and New Legislation

To address short-term liquidity problems and restore public confidence, a \$180 million lifeboat fund was announced on 3 December and established as a credit line from the Big Four local banks to stockbroking firms affected by the Pan-El crisis.¹⁸

Former Chief Justice Chan Sek Keong, then a corporate lawyer with Shook Lin & Bok, helped MAS draft the lifeboat fund agreement. “The survival of the stockbroking industry was under threat,” he told the *Straits Times* in 2008. “The occasion was very sombre and tense for the stockbrokers who were assembled in another room waiting to sign the agreement.”¹⁹

Any firm intending to use the credit line was subject to stringent conditions though. Hu emphasised that the fund was “not meant to bail out individual stockbrokers who have become insolvent through their own imprudence”. “Rather, the ‘lifeboat’ is there to ensure that the obligations of the members of the exchange are fulfilled,” he said, and “any drawdowns against this fund have to be repaid with interest by SES member-firms individually or collectively”.²⁰

Tan Koon Swan was arrested on 21 January 1986 and jailed for two years while Tan Kok Liang, the financial director of Pan-El, was sentenced to 15 months of imprisonment which was later reduced to six months. Peter Tham was given a higher jail term of eight years for 36 counts of forgery such as fraud, which concerned the commercial and financial institutions of a country, affecting a wide range of people and institutions, according to Senior District Judge Errol Foenander.²¹

Additionally, Singapore’s securities regulatory framework was tightened, leading to the new Securities Industry Act 1986 which took effect on 18 August, repealing the earlier 1973 act. The new legislation and the accompanying regulations gave the MAS greater control over the management of the securities industry. Corporate governance standards, which were not as developed as today, were raised and acknowledged as “crucial and fundamental” in the running of a company.²²

A Domestic Refrigerator Industry

Today, Pan-El is best known for causing the closure of the Singapore and Kuala Lumpur stock exchanges. Less well known is the fact that

Pan-El was, at one point, one of Southeast Asia’s biggest electrical, engineering, marine supplies and salvaging companies.

Before independence, Singapore had few industries to boast of. Those that existed prior to 1961 were “mainly manufacturers of consumer products such as food and drinks, footwear and other bare essentials of life”, but these could hardly provide jobs for the growing population.²³ Faced with a high unemployment rate and rapid population growth, Singapore launched an industrialisation programme in the 1960s to attract foreign investment and establish labour-intensive factories.

A key component was the pioneer industry status scheme, under which an enterprise or entrepreneur with a pioneer certificate was exempted from income tax for up to five years.²⁴ Pan-El was among the first to capitalise on this scheme, obtaining a pioneer certificate for manufacturing domestic refrigerators. This contributed to the government’s industrialisation programme that created jobs for the people.

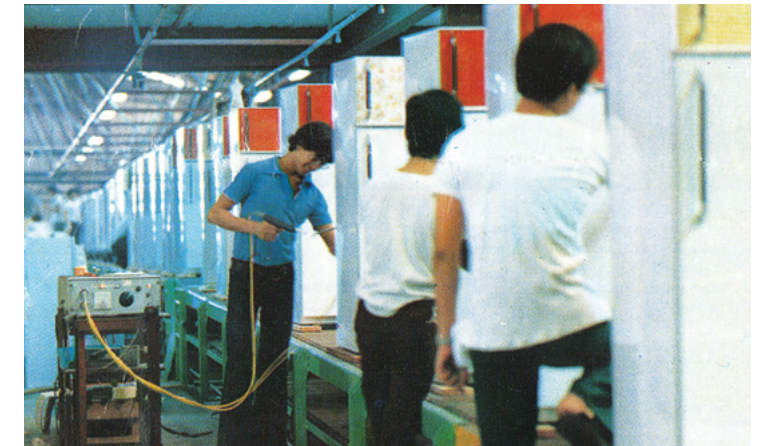
Refrigerators were uncommon in most Singapore homes before the war, with fewer than 2,000 units imported in 1940. During the Japanese Occupation, severe food shortages made people realise how valuable refrigeration could be. After the war, every unit which arrived was quickly snapped up, and not even doubling import numbers could satisfy the demand. Prices ranged from \$725 to \$815 for the 7 cu ft size, while a 9 cu ft unit cost between \$840 and \$995.²⁵

At the time, most household refrigerators came from the United States or the United Kingdom, while some were from European countries like France. Climate Engineering Pte Ltd was one local company that imported French-manufactured refrigerators into Singapore.²⁶

Origins of Pan-El

Formed in 1956, Climate Engineering was a subsidiary of import and export company Metal Agencies Ltd. established in 1954 by the Berlin-born Ernest E. Kahlenberg who came to Singapore at Alan Waugh’s invitation. The latter was the son of Henry Waugh of Henry Waugh Ltd., which was later acquired by Jardine Matheson & Co Ltd.²⁷

Kahlenberg and Alan Waugh set up Metal Agencies but they subsequently parted ways due to different business philosophies. Kahlenberg then formed Climate Engineering and began importing electrical appliances, including the French-manufactured Frimatic refrigerators, marketing them throughout Southeast Asia.²⁸



Pan-El factory staff working on the Permadoor model of refrigerators in an assembly line. Image reproduced from *The Pan Electric News: A Pan-El Industries Ltd. Staff Journal*, vol 1, no. 1 (Singapore: Pan-El, [1979]–), 3. (From PublicationSG).

Kahlenberg’s vision was to eventually produce refrigerators locally, an idea that possibly came about during Frimatic’s chief engineer and director Pierre Charles Bray’s study visit to Singapore in August 1961. Bray was “interested to learn of the efforts being made to enlarge the existing restricted markets in the area”, which “was an essential basis for large mass production industries”. He was “very satisfied and impressed with the efficiency and technical skill here” after visiting the Singapore Polytechnic, which he described as comparable to technical colleges in Europe. Bray promised that the locally made refrigerators would be “produced to the same standard as those manufactured by the parent company”.²⁹

Shortly after Bray’s visit, Kahlenberg announced in October plans to “make a certain brand of refrigerator now being imported from France” by Electric Industries Ltd, of which he was the founder and a director. The company had, by then, obtained the Pioneer Certificate for manufacturing refrigerators and was later renamed Pan-El Industries Ltd. “When we developed the idea of manufacturing, we wanted our own entity and Pan Electric was our choice. I coined the name Pan Electric to cover the range of electrical products,” Kahlenberg explained.³⁰

Kahlenberg estimated that if every household in Singapore, Malaya and Borneo had a refrigerator, \$15 million worth of food wasted would be saved yearly. He also said that Singapore was chosen as the site for the French company’s first overseas manufacturing plant because of its central location and good supply of artisan labour, and that French personnel would train local staff in the initial period. Every part of the refrigerator would be made in Singapore except for the compressor.³¹

The Singapore government supported the idea of manufacturing refrigerators locally. “I remember Dr Goh Keng Swee [Minister for Finance] said he

Minister for Finance Goh Keng Swee being shown a Pan-El refrigerator by Ernest E. Kahlenberg during the foundation stone laying ceremony of the company’s factory on Kampong Arang Road, 1964. Ministry of Information and the Arts Collection, courtesy of National Archives of Singapore (Media - Image no. 19980000398 - 0052).



A 1974 Pan-Electric advertisement for its new range of Permadoor refrigerators that were built with rust-proof, scratch-resistant and easy-to-clean materials. The refrigerators also came in a range of colours. Source: *The Straits Annual*, 1 January 1974, 150–51 © SPH Media Limited. Permission required for reproduction.



was happy with the project to bring refrigerators here as it helped to give employment to an increasing number of school leavers,” said Kahlenberg in an interview with the *Business Times* in 1983.³²

However, a year later, Frimatic was reportedly in financial difficulties following a crisis in the French domestic refrigerator industry.³³ Pan-El was not affected though. In 1964, Goh laid the foundation stone for the company’s factory on Kampong Arang Road in the Tanjong Rhu industrial estate. “[T]he factory when completed will have established the foundation for a new and important type of industry in Singapore,” Goh said in his speech.³⁴

The factory began operations in 1965 with 120 workers. “Pan-El, in those days, served [the Economic Development Board] very well because it was shown to overseas investors as an example of what could be done in Singapore,” said Kahlenberg. “We were always very glad to have visitors from abroad since those early days.”³⁵

Production went into full swing in 1966, churning out 6,000 units of refrigerators that year. Within three years, this jumped to 20,000 units, with capacity for 40,000 units if necessary.³⁶ By 1967, Pan-El’s markets for refrigerators had expanded to 10 Asian countries, with exports accounting for 30 percent of sales, making it “Southeast Asia’s largest refrigerator factory.”³⁷

By the time of its public listing in August 1968, Pan-El was already “one of Singapore’s most successful export-oriented industrial plants”, delivering refrigerators to Hong Kong, Thailand, Laos, Cambodia and Vietnam. Kahlenberg’s aim at the time was to increase exports “to a point where at least one refrigerator will leave for overseas markets for every one sold in Singapore”.³⁸

In 1969, the company presented its 50,000th unit to the Singapore government. It was also awarded the largest contract from Australia worth \$694,000 for 1,500 refrigerators.³⁹

The Boom Years

As more Singaporeans moved into high-rise apartments, the demand for modern home appliances grew, with refrigerators becoming one of the most sought-after appliances in the 1970s. This boom was reflected in Pan-El’s production milestones. In 1972, after less than a decade in operation, the company presented its 100,000th unit to the Singapore Boys’ Home.⁴⁰

“[This] is significant not only because this marks an important milestone in the production achievement of the Company, but also because it is indicative of the economic achievements of the Republic,” said Chan Chee Seng, Parliamentary Secretary to the Ministry of Social Affairs in his speech at the presentation ceremony.⁴¹

Building on its success, Pan-El expanded its range of household goods to include electric and gas cookers, washing machines and even furniture, acquiring a 64 percent stake in Ecko Wood Products, a local manufacturer of kitchen furniture and fittings.⁴²

Kahlenberg’s “appetite for expansion” extended beyond product diversification and securing more export markets. He became interested in the oil drilling industry and ventured into marine services through the purchase of Selco, a group of companies across Singapore, Malaysia, Hong Kong and Bermuda engaged in marine engineering and technology, which had facilities at Pulau Samulun and Kallang Marine industrial estate.⁴³

The decision proved prescient for Pan-El as it rode on the global shipping boom of the 1970s, as well as the opportunities to search for new deposits of crude oil following the oil crises of 1973 and 1979 when oil prices surged.⁴⁴

Between 1973 and 1975, Pan-El achieved “record-breaking performances” with pre-tax profits increasing from \$236,000 in 1972 to \$15.73 million in 1975. In 1973, the company made inroads into property development by acquiring Vanguard Realty and Development Pte Ltd, which “paid off handsomely through the years”.⁴⁵

In 1976, Pan-El underwent reorganisation and became a holding company with its activities carried out by wholly owned subsidiaries. The electrical appliances business came under Pan-Electric Appliances (PEA), which merged with Acma Electrical Industries Ltd, another well-known local appliance maker, in 1981. According to Kahlenberg, there was “a pressing need for manufacturing and service industries in like fields to get together and group themselves into large units”.⁴⁶

With the merger, Pan-El announced that they would no longer be directly involved in the domestic appliance manufacturing business. In

May 1982, Peter Tham, a partner of stockbroking firm Associated Asian Securities, joined Pan-El as a director, while Kahlenberg resigned and left in January 1983 which he said was due to family commitments.⁴⁷

Under new management, Pan-El pursued opportunities in the hotel and property sectors, including an industrial estate project along Tagore Avenue, and acquiring an 80 percent stake in Orchard Hotel and a 64.5 percent stake in developer F L Investments. The company further expanded into marine services, buying an energy company, erecting the world’s largest desalination plant and acquiring controlling interests in a shipyard, financing such ventures with bank loans.⁴⁸

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As the first domestic fridge maker in 1965, Pan-El had contributed to Singapore’s economic progress during its nation-building years. At the time of its collapse in 1985, Pan-El was a large investment holding company with no fewer than 60 subsidiaries and 10 associate companies.⁴⁹

Although the stock market eventually recovered, the same could not be said for the company which was ordered to be wound up on 9 October 1986. The Pan-El brand also disappeared from the market when Acma stopped using the name on its refrigerators and air conditioners in 1986.⁵⁰ By then, the brand was so tainted that no one would have wanted to own any appliances bearing the Pan-El name. ♦

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