PAN ASIAN HOLDINGS LIMITED
百益胜控股有限公司
(Company Registration No.: 197902790N)

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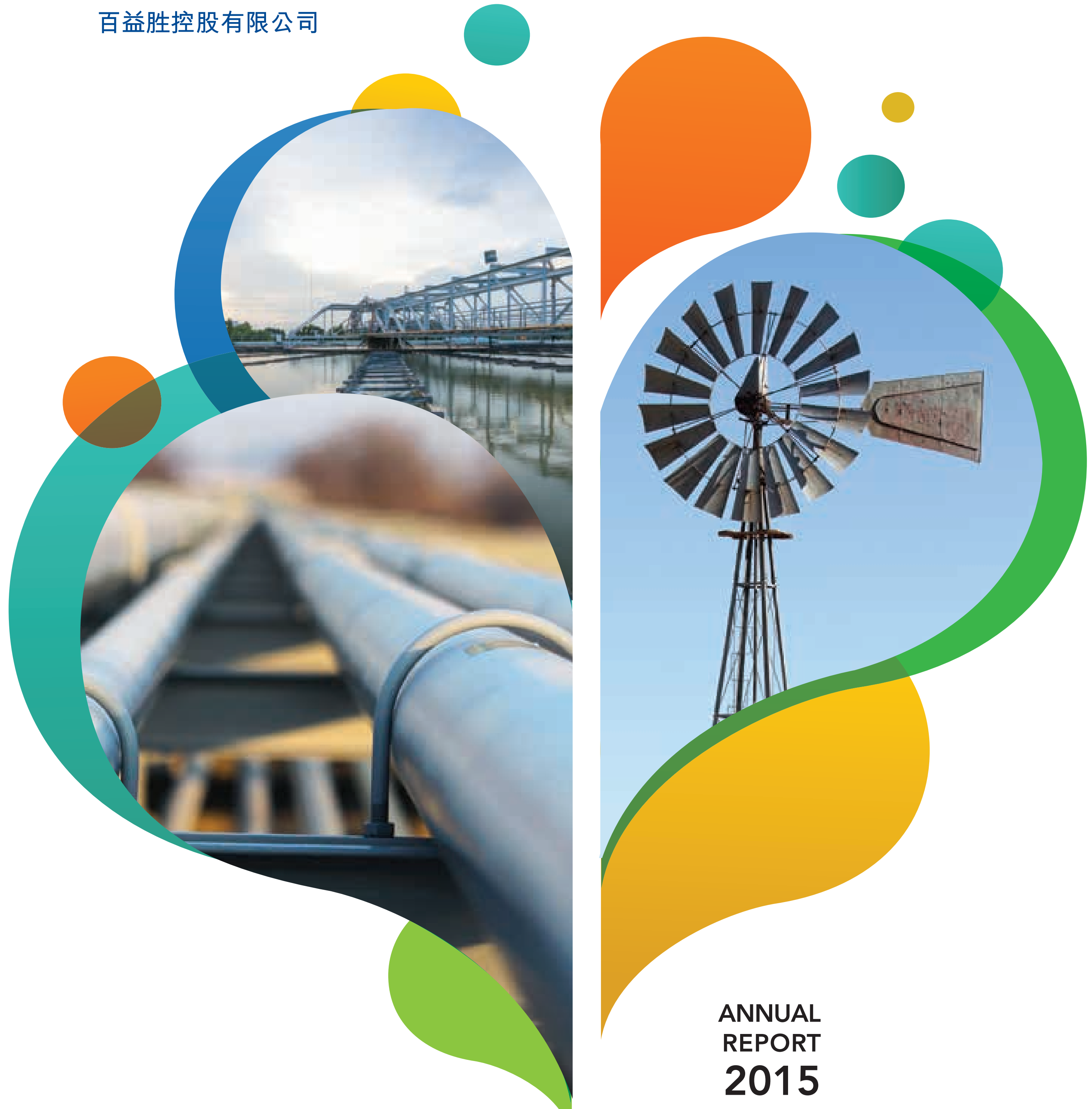
Website: www.panasian.com.sg

PAN ASIAN HOLDINGS LIMITED • ANNUAL REPORT 2015

PAN ASIAN HOLDINGS LIMITED
百益胜控股有限公司



ANNUAL
REPORT
2015

SUSTAINABLE
GROWTH

CONTENT

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

OUR **OBJECTIVE**

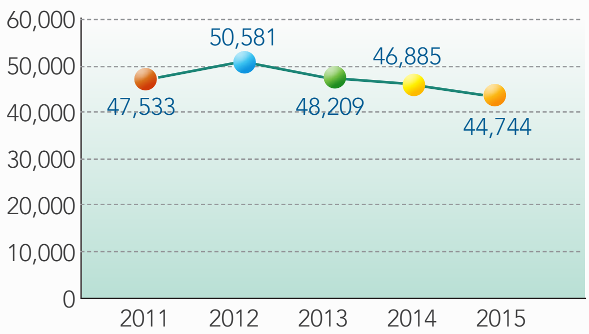
To strengthen our presence in existing markets by giving quality products and solutions to our customers. We intend to introduce new products to meet the changing and expanding market demands. The change in the market is an opportunity to grow; we intend to penetrate other new markets and fields where our expertise and products are in demand. We are geared to meet new challenges and stay abreast with new technology for further growth and expansion as well as to maintain our strength in our present market.

OUR **VISION**

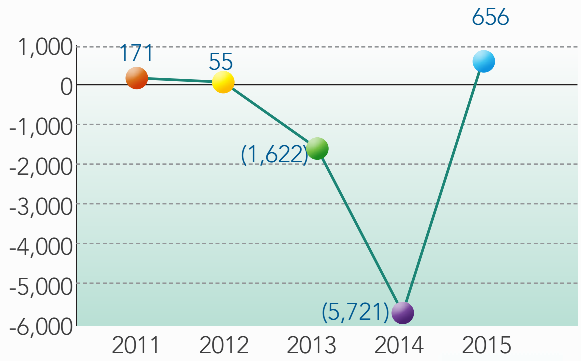
To seek and provide innovative, dynamic, reliable and competitive solutions to the entire aspect of the water cycle.

FINANCIAL **HIGHLIGHTS**

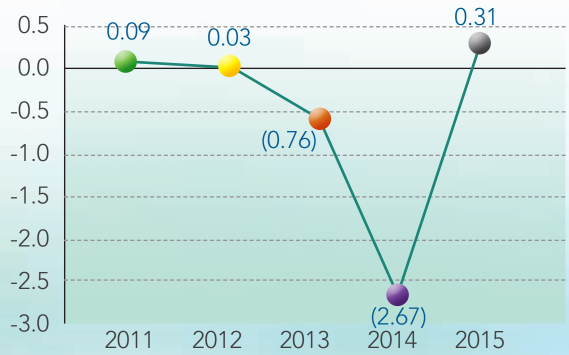
REVENUE (S$'000)



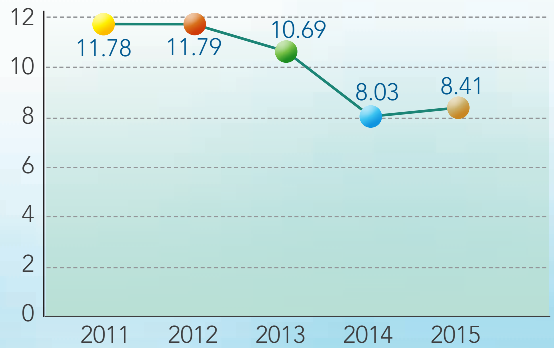
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$'000)



EARNINGS PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)



CORPORATE **PROFILE**

Founded in 1979, Pan Asian Holdings Limited ("Pan Asian" or the Company") together with its subsidiaries (the "Group") is a leading supplier in the delivery of high quality piping system solutions for water infrastructure projects in the Asia Pacific region. It had a humble beginning in 1979, when founder Richard Koh started the enterprise as a stockist, dealing in parts such as piping and valves for the water, oil and gas sectors.

In 2004, Pan Asian became a public listed company on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Today, besides manufacturing products under the brands that the Group licensed, the Group is also the agent for more than 20 well-known international brands of piping and related products from the US, Japan, UK and Europe. In recent years, the Group has also expanded into different sectors and countries. Marine, oil and gas, as well as renewable energy sectors are industries that the Group has ventured into as a result of increasing trend of growth in the industries.

Leveraging on its technical expertise, R&D capabilities, and over 30 years of industry experience, Pan Asian is the trusted partner of renowned international brands for the manufacture and supply of piping, valves, couplings, pumps, tanks and related products and equipment.




RICHARD KOH CHYE HENG
EXECUTIVE CHAIRMAN
Pan Asian Holdings Limited

CHAIRMAN'S **STATEMENT**

DEAR VALUED SHAREHOLDER,

On behalf of the Board of Directors, it gives me great pleasure to present to you Pan Asian Holdings Limited's ("PAHL" or the "Group") annual report for the financial year ended 31 December 2015 ("FY2015").

YEAR IN REVIEW

FY2015 has been a challenging year for our Group as we seek to negate tough industry conditions and streamline our operations by pursuing an asset-light strategy, via disposal of assets and underperforming subsidiaries.

Notwithstanding the uncertainties and volatility, the Group has turned around in FY2015. It generated a revenue of S$44.7 million, with a net profit of S$0.6 million for the year, translating into an earnings per share of 0.31 Singapore cents in FY2015.

DEVELOPMENTS

On 24 February 2015, PAHL entered into an option to purchase with a third party for the sale of a leasehold property, located at 2 Tractor Road Singapore 627966 (the "Property"), for a sale consideration of S$8.3 million. The sale was subsequently completed on 28 September 2015.

On 27 November 2014, leasehold properties, located at 2 Kallang Avenue, #05-18, #05-19 and #06-03 Singapore 339407 (the "New Premises"), was acquired and held in trust by Xu Jia Zu Holdings Pte. Ltd. ("XJZ"), the controlling shareholder of PAHL.

The corporate and sales office in Singapore was re-located from the Property to the New Premises in November 2015. This move is part of the Group's continued plans to optimise its resources, as it will help to avoid any unnecessary costs associated with the holding of and maintenance of the Property, which is considerably larger than the Group's current space requirements.

FINANCIAL PERFORMANCE

Group turnover decreased by 4.6% to S$44.7 million. This topline decrease is attributable to the de-consolidation of certain subsidiaries and disposal of certain underperforming investments ("the disposal"), offset by overall improved performance of the Group. The disposal also contributed to the increase in gross profit margin to 22.3%, along with decreases in the marketing and distribution costs as well as administrative expenses.

Other income increased to S$5.5 million in FY2015 from S$0.2 million in FY2014 mainly due to a one-off gain of S$5.8 million from disposal of the Property. This gain on disposal is

CHAIRMAN'S **STATEMENT**

however, offset by several one-off impairments that was taken up, e.g. impairment loss on land use rights for Tianjin Ecocity, People's Republic of China, and impairment on plant and equipment of S$1.3 million and S$0.3 million respectively. We have also exercised caution in view of the volatile market and provided for doubtful debts of S$2.1 million as well as inventory obsolescence of S$0.6 million.

The disposal of our property, plant and equipment enabled us to optimise our resources and the resulting sales proceeds of S$8.3 million were used for working capital and other general funding requirements of the Group as well as the acquisition of New Premises.

The Group ended the year with a cash and cash equivalents of S$4.3 million vis-à-vis S$1.8 million in FY2014. This represented 12.1% of the total asset position of S$35.5 million.

TOWARDS A SUSTAINABLE FUTURE

As part of our plan to turn around the Group, we have continued with the restructuring exercise that we have started since 2014. In 2015, we have entered into a Sales and Purchase Agreement to dispose our entire 60.0% interest in PVT Engineering Sdn. Bhd. ("PVT") which is expected to be completed in the first half of 2016. As at 31 December 2015, we held 11.9% interest in PVT.

We have also initiated and completed the striking off of W.D. Moore (Asia) Pte. Ltd., Pan Asian Eco Solutions Pte. Ltd. and Pan Asian HB Pte. Ltd.. The liquidation of WD Moore Pty Ltd, which was initiated in 2013, was also successfully completed in 2015.

All these work towards making our Group leaner and more nimble as we dispose non-core businesses and inactive companies. We will continue with the restructuring of the Group to ensure that we remain focused on our key businesses in order to improve the Group's performance.

THE WAY FORWARD

The Group expects the macro environment to remain challenging and intensely competitive. In spite of the challenges, we are cautiously optimistic of the performance of the Group in 2016. We will continue to derive and execute optimal strategies that will help the Group sail through the volatilities in the market. We will also continue with our proven strategy of staying focused on improving our customer service quality and cost efficiencies. We believe the Group with its strong fundamental and sound financial position, will emerge stronger as we see a healthy pipeline of forthcoming projects in Asia for the water and waste water industries.

DIVIDEND

In appreciation of the unwavering support from the shareholders, the Board of Directors has recommended a first and final dividend of 0.5 Singapore cents (FY2014: nil) per share. Subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 29 April 2016, the proposed dividend will be paid on 26 May 2016. Based on a closing price of 6.5 Singapore cents as at 31 December 2015, this represents a dividend yield of 7.7%

WORDS OF APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to our stakeholders for their support, including our shareholders, customers and business associates.

I would also like to thank our management and staff for their commitment and hard work.

Last but not least, I would like to thank the Board of Directors for their invaluable counsel, support and guidance over the course of a very challenging year.

We remain optimistic about the prospects for the Group in the new year and will continue to focus on delivering long-term shareholder value while growing our businesses.

RICHARD KOH CHYE HENG
Executive Chairman


SUPPORTING
THE ENTIRE
WATER
CYCLE

BOARD OF DIRECTORS

RICHARD KOH CHYE HENG
Executive Chairman

Date of appointment: 26 May 2008
Date of last re-appointment: 29 April 2015

Appointed as the Executive Chairman since March 2009, Mr Koh is responsible for the overall management of the Group's operations, as well as the formulating and implementing the Group's business strategies. As the founder and managing director of the Company from 1980 to 1991, Mr Koh was its chairman from 1991 to 2004. He resigned as a managing director in 2004 to pursue other business interests. From 2004 to March 2009, Mr Koh developed and managed a valve manufacturing business in the PRC, Duvalco Valves (Wuxi) Co., Ltd, where he is the director.

KOH EDDIE
Managing Director & Chief Executive Officer

Date of appointment: 1 December 1989
Date of last re-appointment: 30 April 2013

Appointed as the Managing Director and Chief Executive Officer since May 2009, Mr Koh is responsible for the overall performance of the Group. Mr Koh has extensive experience in the Group's operations and products. Mr Koh joined the Group in 1991 as the Regional Sales Manager. Over the period of 20 years, Mr Koh has held various key positions in the Group and has been instrumental in its regional expansion. Mr Koh holds a Bachelor of Engineering from National University of Singapore.

GOH BOON KOK

Lead Independent Director

Date of appointment: 20 March 2009
Date of last re-appointment: 29 April 2015

A Chartered Accountant, Mr Goh is the Principal of Goh Boon Kok & Co, an accounting firm established in Singapore since 1974. Prior to that, Mr Goh had more than 10 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. He is a fellow of the Chartered Institute of Management Accountants, UK, and associate of the Chartered Institute of Secretaries and Administrators, UK. Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore.

Mr Goh is also an independent director in Super Group Limited and GDS Global Limited, which are listed on the SGX-ST.

WU YU LIANG

Independent Non-Executive Director

Date of appointment: 20 March 2009
Date of last re-appointment: 30 April 2014

Admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986 and of the High Court of Malaya in 1991, Mr Wu is currently the Managing Director of Wu LLC, a law corporation in Singapore. He advises on corporate and commercial laws in addition to litigation work. Mr Wu graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division).

He is also an independent director of Jiutian Chemical Group Limited and AusGroup Limited, which are listed on the SGX-ST.

INDRIATI KHOE

Non-Executive Director

Date of appointment: 29 May 2009
Date of last re-appointment: 30 April 2013

Madam Khoe is a director of VIP-Polymers Pte Ltd. Madam Khoe holds a Bachelor of Business (Finance & Economics) degree from Curtin University of Technology in Australia and has over 20 years of financial management experience in the region.

MANAGEMENT **TEAM**

CORPORATE OFFICE

NEO LAY FEN

Group Financial Controller

Ms Neo joined the Group in August 2014 and is responsible for all financial, administrative and information technology matters for the Group. She started her career in 2003 in Ernst & Young LLP in audit. She holds a Bachelor of Accountancy from Nanyang Technological University and is a non-practising member of the Institute of Singapore Chartered Accountants.

SINGAPORE OFFICE

KELLY KOH MEE LIN

Sales and Marketing Director

Ms Koh is responsible for the promotion and sales activities of core products of the Company into new markets. She is also responsible for the Company's project sales in the local market.

She graduated from Seattle University with a degree in International Business and had spent more than 10 years working in regional sales and marketing for two large corporations.

DOUGLAS CHEE BENG CHOON

General Manager
(Sales and Marketing and Engineering Support)

Mr Chee is responsible for the provision of engineering and marketing support to the Group as well as the exploration for business opportunities. Beside these responsibilities, he is also responsible for the Brunei, Cambodia and Vietnam markets.

Mr Chee holds a Diploma in Management Studies and Electronics and Communications from the Singapore Institute of Management and Singapore Polytechnic respectively and has more than 20 years of experience in the industry.

TAN KOK CHENG

General Manager
(Products)

Mr Tan is responsible for the Company's domestic sales of pipes, valves and fittings products focusing in the water and waste-water segments. He has developed a close network of customers for the Company over his more than 30 years of service.

Holding a pre-university qualification, Mr Tan has over 30 years of experience in the industry.

STEPHEN WEE KIAN PENG

General Manager
(Duvalco Valves & Fittings Pte. Ltd.)

Mr Wee is responsible for the sales and marketing of Duvalco Valves & Fittings Pte. Ltd. in various market segment throughout South East Asia excluding China. He has more than 15 years of experience in Heating Ventilation and Air Conditioning ("HVAC") in Building and Construction Sectors and more than 10 years of experience in water and wastewater treatment segment.

Mr Wee holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Diploma in Sales & Marketing from Marketing Institute of Singapore and Diploma in Marketing from Character Institute of Marketing from United Kingdom (CIMUK).

HONG KONG OFFICE

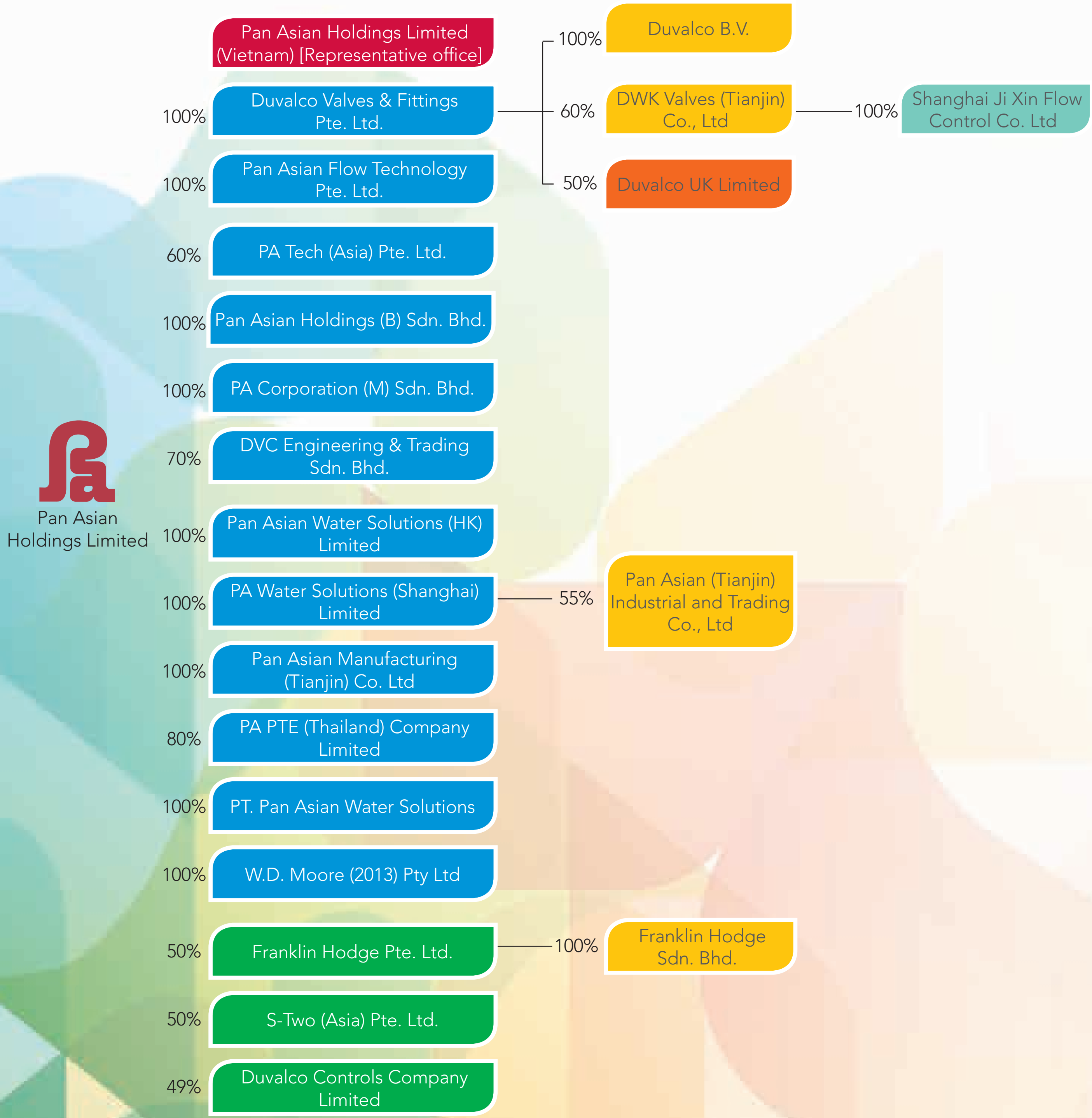
HARVEY KWAN KOON HO

General Manager
(Pan Asian Water Solutions (HK) Limited)

Mr Kwan is responsible for the subsidiary's overall sales, marketing and business developments, primarily in the marketing and promotion of our products and services to Hong Kong W.S.D., D.S.D., consultants and contractors. Mr Kwan's responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering.

Mr Kwan holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 15 years of experience in the industry.

GROUP **STRUCTURE**



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Richard Koh Chye Heng
(Executive Chairman)

Koh Eddie
(Managing Director cum Chief Executive Officer)

Goh Boon Kok
(Lead Independent Director)

Wu Yu Liang
(Independent Director)

Indriati Khoe
(Non-Executive Director)

NOMINATING COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe

REMUNERATION COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe

AUDIT COMMITTEE

Goh Boon Kok
(Chairman)

Wu Yu Liang

Indriati Khoe

COMPANY SECRETARIES

Low Mei Wan

Lin Moi Heyang

REGISTERED OFFICE

2 Kallang Avenue
#05-19 CT Hub
Singapore 339407

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

AUDITORS

RSM Chio Lim LLP
Public Accountants and Chartered Accountants
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

AUDIT PARTNER

Teo Cheow Tong
(Effective from year ended 31 December 2015)

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
21 Collyer Quay
#04-01 HSBC Building
Singapore 049320

United Overseas Bank Limited
80 Raffles Place
#11-00 UOB Plaza 1
Singapore 048624

OPERATION **REVIEWS**

FINANCIAL REVIEW

The Group managed to finish FY2015 with a profit before tax of S$0.6 million despite a backdrop of global economic uncertainty.

In FY2015, the Group recorded a revenue of S$44.7 million, a decrease of 4.6% from that of S$46.9 million recorded in FY2014. This is attributable to the disposal/deconsolidation of the underperforming subsidiaries (which contributed S$8.9 million in FY2014), offset by the higher revenue contribution from Singapore and Hong Kong entities.

Gross profit increased by 20.6% to S$10.0 million in FY2015 aided by the improvement in gross profit margin of 5.0%. Improvement in gross profit margin is largely attributable to disposal/deconsolidation of the underperforming subsidiaries, as these entities typically command a lower gross profit margin.

The disposal/deconsolidation of the underperforming subsidiaries also helped contributed to a lower operating expenses for the Group. The Group saw a decrease in marketing and distribution costs, administrative expenses and finance costs of S$2.3 million, out of which the disposed/deconsolidated subsidiaries contributed to S$1.8 million.

Other losses increased by 95.7% to S$5.5 million largely as a result of the impairment on receivables of S$2.1 million, impairment loss on land use rights of S$1.3 million and inventories written off/down of S$0.8 million. The impairment on receivables of S$2.1 million is largely due to the impairment recognised for the deconsolidated subsidiaries, which contributed S$1.0 million, while S$0.3 million was specifically provided for debtors that are known to be facing financial difficulties, and S$0.5 million was provided for a debtor which our Netherlands subsidiary is currently taking legal action against. The impairment loss on land use rights was provided based on management's assessment of the net realisable amount expected to be recovered.

This increase in other losses is offset by the increase in other gains of S$5.5 million. The increase in other gains is mainly attributed by the net gains on disposal of property, plant and equipment of S$5.0 million, out of which the gain resulting from the sale of the property at Tractor Road contributed S$5.8 million. Gain arising from the deconsolidation of subsidiaries contributed to S$0.4 million during the year.

FINANCIAL POSITION

Total assets of the Group decreased by S$3.6 million from S$39.1 million to S$35.5 million as at 31 December 2015. The overall decrease is attributable mainly to the

deconsolidation of assets owned by the underperforming subsidiaries following the disposal/deconsolidation of the underperforming subsidiaries.

Total liabilities of the Group decreased from S$20.7 million to S$16.6 million during the year. This decrease can be partially attributable to the disposal/deconsolidation of the underperforming subsidiaries as well the repayment of short term borrowings.

SEGMENTAL PERFORMANCE

In line with the Group's improved performance from its core businesses, most of the business segments reported better results as compared to the previous financial year. Portable Water segment chalked up a 56.5% gain in revenue, and overtook the Valves segment as the largest segment for FY2015. Waste Water segment saw a marked improvement of 668.5%, whereas NEWater segment recorded an increase of 358.8% in FY2015.

The Valves segment, which represented 32.1% of total Group revenue, witnessed a 12.5% drop in revenue to S$14.4 million, whereas the Others segment decreased from S$17.1 million to S$4.5 million. These decrease are largely due to the disposal/deconsolidation of subsidiaries.

Geographically, Singapore remained the largest contributor to Group revenue at S$16.3 million and its share of revenue increased from 25.4% to 36.4%. The increase in revenue contributed by Singapore is in line with the increased projects undertaken during the year as PUB released more projects in the later half of 2014 and 2015.

CASH FLOW

The Group has continued to maintain its healthy cash position. As at 31 December 2015, cash and cash equivalents amounted to S$4.3 million, a 141.9% increase from 31 December 2014. Net cash flows generated from operating activities amounted to S$2.6 million, while net cash flows generated from investing activities was S$4.6 million and net cash flows used in financing activities was S$5.0 million.

Net cash generated from investing activities in FY2015 amounted to S$4.6 million, attributed mainly to proceeds from disposal of property, plant and equipment of S$8.0 million offset by the purchase of property, plant and equipment of S$4.5 million.

Net cash used in financing activities was S$5.0 million, mainly due to the repayments of bank borrowings during the year of S$4.6 million.

FINANCIAL **CONTENT**

CORPORATE GOVERNANCE STATEMENT

The Board of Directors and Management of Pan Asian Holdings Limited (the "Company" and together with its subsidiaries, the "Group") are committed to maintaining a high standard of corporate governance to facilitate effective management and safeguard the interests of the Company's shareholders.

This Corporate Governance Report outlines the corporate governance processes and structures of the Group that were in place for the financial year ended 31 December 2015 ("FY2015"), with specific reference to the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the "Code") and the disclosure guide (the "Guide") developed by the Singapore Exchange Securities Trading Limited ("SGX-ST") in January 2015.

The Company has completed the principles and guidelines set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections where there were deviations from the Guide and/or Code.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises five directors, three of whom are Non-Executive Directors. The composition of the Board is as follows:

Richard Koh Chye Heng	Executive Chairman
Koh Eddie	Managing Director cum Chief Executive Officer
Goh Boon Kok	Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

The Board's principal responsibilities are, *inter alia*,:

(a) to guide the formulation of the Group's overall long-term strategic objectives and directions. This includes setting the Group's policies and strategic plans and monitoring the achievement of these corporate objectives;

(b) to establish goals for management and monitor the achievement of these goals;

(c) to ensure management leadership's high quality, effectiveness and integrity; and

(d) to review internal controls, risk management, financial performance and reporting compliance.

CORPORATE GOVERNANCE STATEMENT

The Board has delegated certain functions to its key board committees, namely Audit Committee, Nominating Committee and Remuneration Committee, save for the following matters which are reserved for the Board's decision:

(a) the corporate strategy;

(b) the making of any decision to cease, to operate all or any material part of the business of the Group or to extend the Group's activities into new business;

(c) the approval of any material acquisition or disposal of any investment, asset or business by the Company or any of its subsidiaries;

(d) the approval of any changes relating to the Company's capital structure, including share issues and reduction of capital;

(e) the approval of the Company's financial results and audited financial statements;

(f) the recommendation of the payment of any dividend by the Company;

(g) the appointment or removal of director from the Board;

(h) the appointment or removal of the Company Secretary;

(i) the remuneration packages for key executives of the Company;

(j) the convene of shareholders' meetings; and

(k) any matter required to be considered or approved by the Board as a matter of law or regulation.

The Company's Constitution allows a Board meeting to be conducted by way of telephone or video conference. The Board conducts scheduled meetings at least two times a year and ad-hoc meetings will be convened as and when they are deemed necessary. At the meetings of the Board, all Directors are free to speak and openly challenge the views presented by Management and other Directors. The Board had also on various occasions used written resolutions by circulation to sanction certain decisions.

CORPORATE GOVERNANCE STATEMENT

The number of Board and Board Committee meetings held during FY2015 and the attendance of each Director are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Name	**No. of Meetings held: 4**	**No. of Meetings held: 4**	**No. of Meeting held: 1**	**No. of Meetings held: 2**
		No. of Meetings Attended		
Richard Koh Chye Heng	3	NA	NA	NA
Koh Eddie	4	NA	NA	NA
Goh Boon Kok	4	4	1	2
Wu Yu Liang	3	3	1	2
Indriati Khoe	4	4	1	2

Note: NA – Not applicable

All Directors are provided with relevant information on the Company's policies, procedures and practices relating to governance issues, including disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

The Company will provide a formal letter to newly appointed Directors upon their appointment setting out their statutory duties and responsibilities as Directors. All new and existing Directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry specific knowledge. If the newly-appointed Director has no prior experience as a director of a listed company, training in relevant areas such as finance and legal, as well as industry-related areas will be provided.

Board members are encouraged to attend seminars and trainings to enhance their knowledge for them to discharge their duties and responsibilities. The Company works closely with Sponsor, auditors, Company Secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing manuals, regulations and accounting standards.

During FY2015, the external auditors of the Company has, during the presentation of the audit plan, provided relevant updates relating to changes to accounting standards and issues which have a direct impact on financial statements and the Company Secretary had provided updates to the Board on the amendments to the Companies Act, Chapter 50 of Singapore.

CORPORATE GOVERNANCE STATEMENT

Principle 2: Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company endeavours to maintain a strong and independent element on the Board. The Board comprises of two Executive Directors, one Non-Executive Director and two Independent Directors. Guideline 2.1 is met as more than one-third of the Board is independent. Key information regarding the Directors is given in the section on "Board of Directors" of this annual report.

The criterion of independence is based on the definition given in the Code. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

The independence of Directors is reviewed by the Nominating Committee annually, in accordance with the Code's definition of independence. The Nominating Committee is satisfied that the Independent Directors of the Company are independent and further, that no individual or small group of individuals dominate the Board's decision making process.

As of the date of this statement, there is no Independent Director who has been appointed for more than nine years from the date of his first appointment.

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations, with an objective of achieving a good mix and diversity of skills, experiences and gender. Details of which are as set out below. All board appointments will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	2	40%
Legal or corporate governance	1	20%
Relevant industry knowledge or experience	3	60%
Strategic planning experience	3	60%
Customer based experience or knowledge	5	100%
Gender		
Male	4	80%
Female	1	20%

The Board members provide a range of core competencies in accounting, finance, legal, business management experience and expertise and industry knowledge that provide effective direction for the Group. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and oversee the Company.

CORPORATE GOVERNANCE STATEMENT

The Independent Directors provide, amongst others, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. The Independent Directors also help to review the performance of the Management in meeting goals and objectives and monitor the reporting of performance. To facilitate a more effective check on the Management, the Independent Directors will arrange for meetings without the presence of the Management as and when required.

The Independent Directors have met five (5) times in the absence of the Management for the financial year in review.

The Board acknowledges that the independent directors should make up at least half of the Board as the Executive Chairman and the Managing Director cum Chief Executive Officer of the Company are immediate family members and will comply to the requirement of the Code on or before the annual general meeting of the Company for the financial year ending 31 December 2017.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Code states that the roles of the Chairman and the Chief Executive Officer should in principle be separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Such roles of the Chairman and Chief Executive Officer of the Company are undertaken by separate persons so as to create a clear division of responsibilities.

Mr Richard Koh Chye Heng, founder and Executive Chairman of the Company, is to develop the business, formulate and implement the business strategies of the Group.

Mr Koh Eddie, Managing Director cum Chief Executive Officer of the Company, the son of the Executive Chairman, will be responsible for the day-to-day management and operations of the Group. Notwithstanding such relationship, the Board is satisfied that there is no concentration of power as the Group is run objectively on a transparent basis and that there is adequate representation of independent and Non-Executive Directors on the Board. Taking into account the current corporate structure and the scope of the Company's operations, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power of influence.

Mr Goh Boon Kok has been appointed as the Lead Independent Director of the Company and he is available to shareholders should they have concerns which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. The Lead Independent Director will meet the Independent Directors of the Company without presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

CORPORATE GOVERNANCE STATEMENT

The Executive Chairman, guided by recommendations provided by the Chairman of the respective committees, Group Financial Controller and the Company Secretary is responsible for, among others, to:

(a) lead the Board to ensure its effectiveness on all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate at the Board;

(d) ensure that the directors receive complete, adequate and timely information;

(e) ensure effective communication with its shareholders;

(f) encourage constructive relations within the Board and between the Board and Management;

(g) facilitate effective contribution of non-executive directors in particular; and

(h) promote high standards of corporate governance and assist in ensuring compliance of the Company's guidelines on corporate governance.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

All the Nominating Committee members are Non-Executive Directors, two out of three of whom, including the Chairman of the Nominating Committee, are independent directors. The Nominating Committee members are:

Wu Yu Liang	Chairman and Independent Director
Goh Boon Kok	Lead Independent Director
Indriati Khoe	Non-Executive Director

The Nominating Committee is established for, *inter alia*, the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

The terms and reference of the Nominating Committee includes:

(a) to determine the criteria for the appointment of new directors;

(b) to set up a process for the selection of such appointment;

(c) to review nominations for the appointment of Directors to the Board;

CORPORATE GOVERNANCE STATEMENT

(d) to make recommendations to the Board on all board appointments;

(e) to re-nominate Directors having regard to the director's contribution and performance;

(f) to determine annually whether or not a Director is independent;

(g) to make recommendation to the Board the performance criteria and appraisal process to be used for the evaluation of the effectiveness of the Board as a whole, which criteria and process shall be subject to Board's approval;

(h) to review the board succession plans for directors, in particular, the Chairman and the CEO; and

(i) to review training and professional development programs for the Board.

The process for the shortlisting, selection and appointment of all new directors is spearheaded by the Nominating Committee. In the selection and nomination of new Director, the Nominating Committee taps on the resources of the Directors' personal contacts for recommendations of potential candidates. External help (for example, Singapore Institute of Directors, search consultants) would be used to source for potential candidates, if need be. Interviews are set up with potential candidates so that the Nominating Committee is able to assess each prospective candidate before a decision is made for recommendation to the Board for final approval.

The Nominating Committee decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders value. Given the relatively small size of the Board, the Board is of the view that no formal assessment is to be conducted on the Board Committees and contribution of each individual director to the effectiveness of the Board.

There are two Directors who each holds two other listed company board representations. The Nominating Committee is of the view that despite some of the Directors having multiple board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. As time requirement of each director are subjective, the Nominating Committee has decided not to fix a maximum limit on the number of directorship a director can hold. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. The Nominating Committee would continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The Constitution of the Company states that one-third of the Directors have to retire and subject themselves for re-election by the shareholders at each annual general meeting of the Company. In addition, each Director of the Company shall retire from office at least once every three years.

The Nominating Committee is also charged with the responsibility of re-nomination of incumbent Directors, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour). Upon the Nominating Committee's assessment and review, the Nominating Committee would recommend the re-appointment of the Director to the Board for its consideration and approval.

CORPORATE GOVERNANCE STATEMENT

Mr Koh Eddie and Ms Indriati Khoe are subject to retirement at the forthcoming annual general meeting pursuant to the Constitution of the Company.

Mr Goh Boon Kok, who is over the age of 70 years and was re-appointed as Director of the Company at the last Annual General Meeting held on 29 April 2015 to hold office until the forthcoming annual general meeting and hence, is subject to re-appointment by shareholders of the Company ("Shareholders") for his continuation as a Director of the Company from the date of the forthcoming annual general meeting onwards without limitation in tenure save for prevailing applicable laws, listing rules and/or regulations, including the Company's Constitution.

Accordingly, the Nominating Committee has assessed and recommended to the Board, and the Board has endorsed the re-elections of Mr Koh Eddie and Ms Indriati Khoe and re-appointment of Mr Goh Boon Kok, who have offered themselves for re-election/re-appointment as a Director of the Company by Shareholders at the forthcoming annual general meeting.

The key information of the Directors as at the date of this report is set out below:

Name of Directors	Date of Initial Appointment as Director/Date of Last Re-election/ Re-appointment as Director	Directorship in Other Listed Companies		Principal Commitments
		Current	Past 3 Years	
Richard Koh Chye Heng (Executive Chairman)	26 May 2008/ 29 April 2015	–	–	Executive Chairman of the Company
Koh Eddie (Managing Director cum Chief Executive Officer)	1 December 1989/ 30 April 2013	–	–	Managing Director cum Chief Executive Officer of the Company
Goh Boon Kok (Lead Independent Director)	20 March 2009/ 29 April 2015	Super Group Limited GDS Global Limited	Magnus Energy Group Limited Blumont Group Ltd	Goh Boon Kok & Co
Wu Yu Liang (Independent Director)	20 March 2009/ 30 April 2014	Jiutian Chemical Group Limited AusGroup Limited	SHS Holdings Ltd. China Environment Ltd	Wu LLC
Indriati Khoe (Non-Executive Director)	29 May 2009/ 30 April 2013	–	–	VIP-Polymers Pte Ltd

CORPORATE GOVERNANCE STATEMENT

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Nominating Committee has established an appraisal process to assess the performance and effectiveness of the Board (including Board Committees) on a yearly basis with inputs from the other Board members and the Chairman. It focuses on a set of criteria which include Board's conduct of meetings, maintenance of independence, board accountability, communication with Management, etc. The performance criteria are not changed from year to year except when deemed necessary and justifiable. Where the performance criteria are deemed necessary to be changed, the onus should be on the Board to justify this decision.

The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the Nominating Committee, proposes new members be appointed to the Board or seeks the resignation of Directors.

During the year, the Nominating Committee has reviewed the independence of each Director and assesses the effectiveness of the Board as a whole. As part of the process, the Directors individually completes appraisal forms which are collated by the Company Secretary. The Company Secretary then forwards the results to all members of the Nominating Committee for discussion. The Chairman of the Nominating Committee will then present their findings to the Board. The Nominating Committee is of the opinion that each member of the Board had been effective during the year having regard to the active participation of each Board member during each Board and Committee meeting. The Board has met its performance objective.

Principle 6: Access to Information

In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The type and frequency of the provision of information by key management personnel to the Company's Independent and Non-Executive Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company are as follows:

	Information	**Frequency**
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Prior to Board Meetings (held at least half-yearly)
2.	Updates to the Group's operations and the markets in which the Group operates in	As and when necessary
3.	Management accounts	Quarterly
4.	Budgets	Yearly
5.	Reports on on-going or planned corporate actions	As and when necessary
6.	Enterprise risk framework and internal auditors' report(s)	Half yearly

CORPORATE GOVERNANCE STATEMENT

The Non-Executive Directors are always available to provide guidance to Management on business issues and in areas which they specialise in. The Directors also have direct access to Management and Company Secretary.

The Directors may communicate directly with Management and Company Secretary on all matters whenever they deem necessary, to ensure adherence to the Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring that Board procedures are followed.

Directors may, on a case-to-case basis, propose to the Board for independent and professional advice, at the Company's expense, where required.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Principle 8: Level of Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) Key Management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee comprises the following members:

Wu Yu Liang	Chairman and Independent Director
Goh Boon Kok	Lead Independent Director
Indriati Khoe	Non-Executive Director

All Remuneration Committee members are Non-Executive Directors, two out of three of whom, including the Chairman the Remuneration Committee, are Independent Directors. The Remuneration Committee has experience in the field of executive compensation. The Remuneration Committee has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

The Remuneration Committee is established for, *inter alia*, the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has adopted written terms of reference that defines its membership, roles and functions and administration.

CORPORATE GOVERNANCE STATEMENT

The terms of reference of the Remuneration Committee includes:

(a) to advise the Board on the framework of remuneration policies for the Directors and key executives;

(b) to review and recommend to the Board in consultation with senior Management a framework of remuneration for Executive Directors, Managing Director cum Chief Executive Officer and key executives;

(c) to review the remuneration packages of all managerial staff, if any, that are related to any of the Executive Directors or Chief Executive Officer; and

(d) to recommend to the Board in consultation with the Chairman of the Board, the key executives' and other employees' incentive schemes.

In setting remuneration packages, the Remuneration Committee will take into account the performance of the Group as well as the Directors and key executives aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind. The Committee's recommendations are made in consultation with the Executive Chairman of the Board and submitted for endorsement by the entire Board. No Director shall participate in decisions on his own remuneration. The payment of Directors' fees is subject to the approval of shareholders. The Remuneration Committee's role also includes the review of Executive Directors and key executives' contracts during termination, to ensure that such contracts of services contain for and reasonable termination clauses.

Remuneration matters of the Directors, Executive Chairman and the Managing Director cum Chief Executive Officer are the responsibility of the Remuneration Committee who will review and make necessary recommendations to the Board for approval. In respect of remuneration matters relating to senior Management group, the Managing Director cum Chief Executive Officer will make recommendations for the Remuneration Committee's consideration and review. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

There was no remuneration consultants engaged for the financial year in review.

The remuneration of Executive Chairman, Mr Richard Koh Chye Heng is based on Service Agreement dated 2 April 2012 and the revised service agreement dated 1 January 2015. The revised Service Agreement has been automatically renewed for one (1) year with effect from 1 January 2016 on the same terms and conditions.

The remuneration of Managing Director cum Chief Executive Officer, Mr Koh Eddie is based on Service Agreement dated 2 April 2012 and the revised Service Agreement dated 1 January 2015. The revised Service Agreement has been automatically renewed for one (1) year from 1 January 2016 on the same terms and conditions.

CORPORATE GOVERNANCE STATEMENT

The remuneration of the Non-Executive Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as effort, time spent and responsibilities of the Directors. Non-Executive Directors' fees are subject to Shareholders' approval at the annual general meeting.

Annual reviews are carried out by the Remuneration Committee to ensure that key executives are appropriately rewarded, having due regard to the financial and commercial health and business needs of the Group.

Principle 9: Disclosure on Remuneration

Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and Key Management personnel, and performance.

The remuneration package of Executive Directors and key executive officers consists of:

Fixed salary/Director's Fee

Fixed salary is determined based on the complexity of the required responsibilities and tasks, along with data on market and sector comparatives.

The Non-Executive and Independent Directors are entitled to Director's fees. The level of fees is reviewed for reasonableness, taking into account the size of the Company and the additional duties and responsibilities of the Directors.

Bonus and Incentives

Bonus and incentives are variable salaries which comprise sales incentives (as applicable) and variable bonus.

Other Benefits

Other benefits comprise of transport allowances, country club memberships, and benefits-in-kind.

As such, the Group adopts a remuneration policy for staff comprising both fixed and variable components. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the Company's and individual's performance. Certain employees are also entitled to other benefits. The Management moderates and allocates the variable bonus based on the individual performance of employees and their contributions towards the achievement of the Company's performance.

CORPORATE GOVERNANCE STATEMENT

The breakdown of remuneration of the Directors and key executives of the Group (in percentage terms) for FY2015 is set out below:

Name	Fixed Salary	Other Fees	Bonus and Incentives
Remuneration Band from S$250,001 to S$500,000			
Executive Directors			
Koh Eddie	76%	3%	21%
Richard Koh Chye Heng	74%	5%	21%
Key Executive			
Harvey Kwan Koon Ho	35%	6%	59%
Remuneration Band up to S$250,000			
Independent Directors			
Goh Boon Kok	100%	–	–
Wu Yu Liang	100%	–	–
Non-Executive Director			
Indriati Khoe	100%	–	–
Key Executives			
Berry de Vos	82%	18%	–
Neo Lay Fen	92%	–	8%
Steve Warner-Jones	100%	–	–
Remuneration Band between S$100,000 to S$150,000			
Key Executive who is a family member of the Executive Chairman and CEO			
Kelly Koh Mee Lin	82%	10%	8%

The remuneration of the Directors and key executives is reviewed by the Remuneration Committee.

The performance conditions used to determine the entitlement of the Executive Directors and key management personnel comprises of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on the job performance, leadership, teamwork, etc. The performance conditions are set by the Remuneration Committee. The Remuneration Committee has reviewed and is satisfied that the performance conditions of the Directors and key executives were met for FY2015.

For FY2015, there were no termination, retirement or post-employment benefits granted to the Directors, the Managing Director cum Chief Executive Officer and relevant key executives.

CORPORATE GOVERNANCE STATEMENT

Given the highly competitive industry conditions, the Company believes that it is not in the best interest of the Company to fully disclose details of the remuneration of each individual Director and the Chief Executive Officer and the aggregate remuneration paid to the key executives of the Group.

The Company does not have an employee share option scheme for the financial year in review.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to Shareholders, the Board has a responsibility to present a fair assessment of the Group's financial performance and position including the prospects of the Group. The Board is mindful of the obligation to provide timely and fair disclosure of material information and price sensitive information. The Board is accountable to the Shareholders while the Management is accountable to the Board.

The Management provides all members of the Board with a quarterly management report. The Board members review the quarterly management report and meet to approve the Group's half-yearly and full year financial results. All Board papers are given to the Board members prior to any Board meeting to facilitate effective discussion and decision making.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities. Based on the internal controls established by the Group, its assessment of work performed by the external auditors and internal auditor, as well as the Assurances (as defined herein), the Board, with the concurrence of the Audit Committee, are of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks which the Group considers to be relevant and material to its operations and the risk management systems are effective and adequate as at 31 December 2015.

The system provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and management of business risks.

CORPORATE GOVERNANCE STATEMENT

The Board has also received assurance from the Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records as at 31 December 2015 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and the Company's risk management and internal control systems were adequate and effective as at 31 December 2015. The Company has also received assurance from the internal auditors that the Company's risk management and internal control systems are effective (the "Assurances").

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises three members, all of whom are Non-Executive and the majority of whom, including the Audit Committee Chairman, are independent.

The members of the Audit Committee are:

Goh Boon Kok	Chairman and Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

The role of the Audit Committee is to, *inter alia*, assist the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal controls. The Board is of the opinion that the members of the Audit Committee have sufficient accounting and financial management expertise and experience in discharging their duties and responsibilities.

The Company complies with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The functions and responsibilities of the Audit Committee include the following:

(a) to review effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews and evaluation carried out by the internal auditor and external independent auditors and the assistance given to them by the Company's Management;

(b) to review the financial statements of the Company and the half-yearly and full year financial results and the respective results announcements before submission to the Board;

(c) to review significant financial reporting issues and judgments having regard to the requirements of the Catalist Rules;

CORPORATE GOVERNANCE STATEMENT

(d) to review and approve interested person transactions;

(e) to assess the performance and cost-effectiveness of the internal and external independent auditors, approve their remuneration, and recommend to the Board their re-appointment;

(f) to review the independence and objectivity of the external auditors annually;

(g) to review the nature and extent of non-audit services provided by the external auditors;

(h) to meet with the external auditors, other committees, and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee; and

(i) to review the audit plan of the internal auditor and external auditors of the Company.

In discharging the above duties, the Audit Committee confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or Executive Director to attend its meetings. In addition, the Audit Committee has also been given reasonable resources to enable it to perform its functions properly.

The Audit Committee meets with the external auditors separately, at least once a year, without the presence of Management. The Audit Committee has met with the external auditors for the financial year in review. Where warranted, the Audit Committee meets with the internal auditors without the presence of Management to review any matters that must be raised.

The Audit Committee also reviews all non-audit services provided by the external auditors to ensure that the provision of these services does not affect the independence of the auditors. For FY2015, RSM Chio Lim LLP ("RSM Chio Lim") provided tax compliance services to the Company other than the audit services. The amount of fees paid to auditors, RSM Chio Lim, in respect of audit and non-audit services for the year under review are S$131,000 and S$10,300, respectively. The Audit Committee has reviewed the non-audit services provided by RSM Chio Lim and is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors and accordingly, has recommended the re-appointment of RSM Chio Lim as auditors of the Company at the forthcoming AGM.

The Company has put into place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The Audit Committee upon receipt of complaints or allegations from any employee, determines if an investigation is necessary. If an investigation should be carried out, it will direct an independent investigation to be conducted on the complaint received. The Audit Committee and the Board will receive a report on that complaint and findings of investigation as well as a follow-up report on actions taken.

The Audit Committee is kept abreast by the Management and the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

CORPORATE GOVERNANCE STATEMENT

The Company has not put in place a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measure to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee.

Principle 13: Internal Audit

The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The appointment and removal of internal auditor is a matter of the Audit Committee. The Group has appointed Nexia TS Risk Advisory Pte. Ltd. as its internal auditor to assist the Audit Committee to ensure that the Company maintains a robust and effective system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the Audit Committee.

The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. On an annual basis, the internal auditor prepares and executes a risk-based audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the system of internal controls of the Group. All audit findings are presented to the Audit Committee and the results of the findings are also shared with the external auditors.

The Audit Committee is satisfied that the internal auditor is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all Shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of Shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Communication with Shareholders

Companies should actively engage their Shareholders and put in place an investor relations policy to promote regular, effective and fair communication with Shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its Shareholders. In line with the continuous disclosure obligations under the relevant rules, the Board ensures that Shareholders are promptly informed of all major developments that may have a material impact on the Group in a timely manner. Information is released to Shareholders and investors on a timely basis, through SGXNET as well as the corporate website (http://www.panasian.com.sg).

Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.

CORPORATE GOVERNANCE STATEMENT

The Company does not have a dedicated investor relations team. Neo Lay Fen, the Group Financial Controller, is responsible for the Company's communication with Shareholders.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial position, results of operations, capital needs, plans for expansion and other factors which our Directors may deem appropriate. The Board would consider establishing a dividend policy at the appropriate time.

The Board has recommended a first and final tax-exempt (1-tier) dividend of 0.5 Singapore cent per ordinary share in respect of FY2015, which is subject to Shareholders' approval at the forthcoming AGM.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the company.

The annual general meeting is the principal forum for dialogue with Shareholders. There is an open question and answer session at which Shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs.

The Chairman and members of the Board, the Chairman of all Board Committees and the Company's external auditors will be present at the annual general meeting of the Company to address any queries from Shareholders. All minutes of general meetings are available to Shareholders upon their request.

The Company's Constitution allows a member of the Company who is not a relevant intermediary to appoint not more than two proxies to attend and vote at general meetings. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at general meetings. For the time being, the Board is of the view that two proxies for each non-intermediary member is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend the Constitution to allow votes in absentia. All Shareholders have the opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and done only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

With effect from 1 August 2015, the Company conducts the voting of all its resolutions by poll at its general meetings. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. All significant control policies and procedures are reviewed by Management and all significant matters are tabled to the Audit Committee and Board for review and deliberation.

CORPORATE GOVERNANCE STATEMENT

DEALINGS IN SECURITIES

The Company has set out guidelines to the Directors and officers of the Group in relation to dealings in the Company's securities. These guidelines prohibit the Company and its officers from dealing in the listed securities of the Group while in possession of material or price sensitive information and during the period one month before the announcement of the Company's half-year and full-year financial results and ending on the date of announcement of the relevant financial results. The Company, its Directors and officers are also advised not to deal in the Company's securities on short-term consideration.

The Company, Directors and officers of the Company are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval. The Audit Committee has reviewed the interested person transactions for FY2015 conducted pursuant to the shareholders' mandate obtained in accordance with Chapter 9 of the Catalist Rules and is satisfied that the transactions were on normal commercial terms.

The aggregate value of interested person transactions entered into during FY2015 pursuant to Rule 920 is as follows:

Name of Interested Person	Aggregate value of all interested persons transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to 920 (excluding transactions less than S$100,000) S$'000
Purchase from:		
Duvalco International Pte Ltd	–	154
Duvalco Valves & Fittings (Wuxi) Co. Ltd	–	3,579

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiary companies involving the interests of the Executive Chairman, Managing Director cum Chief Executive Officer, other Director or controlling shareholder of the Company, either still subsisting at the end of FY2015 or entered into since the end of the previous financial year.

CATALIST SPONSOR

No non-sponsor fees were paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2015.

STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the financial statements of the Company and of the Group for the reporting year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors in office at date of statement

The directors of the Company in office at the date of this statement are:

Richard Koh Chye Heng
Koh Eddie
Goh Boon Kok
Wu Yu Liang
Indriati Khoe

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

	Deemed interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
In the Company	**Number of shares of no par value**	
Richard Koh Chye Heng	165,137,500	165,137,500
Koh Eddie	165,137,500	165,137,500
Indriati Khoe	165,137,500	165,137,500

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (Continued)

Name of directors and companies in which interests are held	**Direct interest** At beginning of the reporting year	At end of the reporting year
In the Company	**Number of shares of no par value**	
Goh Boon Kok	2,150,000	2,150,000

Name of directors and companies in which interests are held	**Direct interest** At beginning of the reporting year	At end of the reporting year
In the parent company – Xu Jia Zu Holdings Pte. Ltd.	**Number of shares of no par value**	
Richard Koh Chye Heng	750,050	750,050
	1 [(a)]	1 [(a)]
Koh Eddie	750,052	750,052

By virtue of section 7 of the Act, Richard Koh Chye Heng, Koh Eddie and Indriati Khoe are deemed to have an interest in all the related body corporates of the Company.

(a) Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution he has or is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

The directors' interest as at 21 January 2016 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the options rights and other rights mentioned below.

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

STATEMENT BY DIRECTORS

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of Audit Committee

The members of the Audit Committee at the date of this statement are as follows:

Goh Boon Kok	(Independent director and Chairman of Audit Committee)
Indriati Khoe	(Non-executive director)
Wu Yu Liang	(Independent director)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

STATEMENT BY DIRECTORS

8. Directors' opinion on the adequacy of the internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and independent external auditor, relevant to their statutory audit, and reviews performed by management and other committees of the board, the Audit Committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2015.

On behalf of the directors

Richard Koh Chye Heng	Koh Eddie
Director	Director

6 April 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED (Registration No: 197902790N)

Report on the financial statements

We have audited the accompanying financial statements of Pan Asian Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED (Registration No: 197902790N)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Emphasis of matter

We draw attention to Note 30 to the financial statements which describe the uncertainties related to the Group's Land Use Rights ("LURs") in Tianjin Ecocity, People's Republic of China. The carrying amount represents management's realistic estimated realisable value determined by the management on the basis that the Group can withdraw subsequently from the agreement through the transfer of the LURs to a third party approved by the relevant authority (Note 16). Future outcome is uncertain and adjustments may be required in the future to increase or reduce the carrying value. Our opinion is not qualified in respect to this matter.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2016

Partner in charge of audit: Teo Cheow Tong
Effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	Group 2015 $'000	Group 2014 $'000
Revenue	5	**44,744**	46,885
Cost of sales		**(34,786)**	(38,591)
Gross profit		**9,958**	8,294
Interest income		**–**	10
Other gains	6	**5,521**	167
Marketing and distribution costs	7	**(4,769)**	(5,927)
Administrative expenses	7	**(4,475)**	(5,511)
Finance costs		**(257)**	(383)
Other losses	6	**(5,505)**	(2,813)
Share of profit from equity-accounted joint ventures		**98**	132
Profit (loss) before tax		**571**	(6,031)
Income tax credit (expense)	9	**6**	(12)
Profit (loss) net of tax		**577**	(6,043)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains		**255**	29
– Reclassification to profit or loss arising from disposal of subsidiaries		**31**	–
Other comprehensive income for the year, net of tax		**286**	29
Total comprehensive income (loss)		**863**	(6,014)
Profit (loss) attributable to owners of the parent, net of tax		**656**	(5,721)
Loss attributable to non-controlling interests, net of tax		**(79)**	(322)
Profit (loss) net of tax		**577**	(6,043)
Total comprehensive income (loss) attributable to owners of the parent		**928**	(5,692)
Total comprehensive loss attributable to non-controlling interests		**(65)**	(322)
Total comprehensive income (loss)		**863**	(6,014)
Earnings (loss) per share		**Cents**	Cents
Basic and diluted	10	**0.31**	(2.67)

The accompanying notes form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**6,353**	4,335	**4,728**	848
Investments in subsidiaries	12	**–**	–	**6,054**	10,356
Investments in joint ventures	13	**340**	242	**105**	105
Other financial assets, non-current	14	**–**	–	**–**	–
Intangible assets	15	**–**	727	**–**	–
Land use rights	16	**1,471**	2,779	**–**	–
Other assets, non-current	17	**78**	103	**78**	103
Deferred tax assets	9	**151**	208	**–**	–
Total non-current assets		**8,393**	8,394	**10,965**	11,412
Current assets					
Asset held for sale under FRS 105	18	**120**	2,128	**120**	2,128
Inventories	19	**4,979**	7,112	**1,522**	3,786
Trade and other receivables, current	21	**15,836**	15,927	**12,534**	11,575
Other assets, current	17	**1,865**	2,791	**228**	293
Cash and cash equivalents	22	**4,309**	2,749	**2,377**	1,072
Total current assets		**27,109**	30,707	**16,781**	18,854
Total assets		**35,502**	39,101	**27,746**	30,266
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	23	**15,300**	15,300	**15,300**	15,300
Other reserves	24	**340**	47	**–**	–
Retained earnings		**2,371**	1,853	**2,505**	3,709
Equity, attributable to owners of the parent		**18,011**	17,200	**17,805**	19,009
Non-controlling interests		**941**	1,185	**–**	–
Total equity		**18,952**	18,385	**17,805**	19,009
Non-current liabilities					
Deferred tax liabilities	9	**81**	99	**81**	81
Other financial liabilities, non-current	25	**145**	346	**145**	222
Total non-current liabilities		**226**	445	**226**	303
Current liabilities					
Income tax payable		**222**	601	**–**	253
Other financial liabilities, current	25	**1,832**	7,495	**1,184**	5,102
Trade and other payables, current	26	**14,270**	12,175	**8,531**	5,599
Total current liabilities		**16,324**	20,271	**9,517**	10,954
Total liabilities		**16,550**	20,716	**9,941**	11,257
Total equity and liabilities		**35,502**	39,101	**27,746**	30,266

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

Group:	Total equity $'000	Non-controlling interests $'000	Attributable to parent subtotal $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000
Current year:						
Opening balance at 1 January 2015	**18,385**	**1,185**	**17,200**	**15,300**	**1,853**	**47**
Movements in equity:						
Total comprehensive income (loss) for the year	**863**	**(65)**	**928**	**–**	**656**	**272**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**(21)**	**21**
Acquisition of non-controlling interest without a change in control	**(77)**	**40**	**(117)**	**–**	**(117)**	**–**
Disposal of subsidiaries	**(219)**	**(219)**	**–**	**–**	**–**	**–**
Closing balance at 31 December 2015	**18,952**	**941**	**18,011**	**15,300**	**2,371**	**340**
Previous year:						
Opening balance at 1 January 2014	24,399	1,507	22,892	15,300	7,574	18
Movements in equity:						
Total comprehensive (loss) income for the year	(6,014)	(322)	(5,692)	–	(5,721)	29
Closing balance at 31 December 2014	18,385	1,185	17,200	15,300	1,853	47

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

Company:	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2015	**19,009**	**15,300**	**3,709**
Movements in equity:			
Total comprehensive loss for the year	**(1,204)**	**–**	**(1,204)**
Closing balance at 31 December 2015	**17,805**	**15,300**	**2,505**
Previous year:			
Opening balance at 1 January 2014	22,896	15,300	7,596
Movements in equity:			
Total comprehensive loss for the year	(3,887)	–	(3,887)
Closing balance at 31 December 2014	19,009	15,300	3,709

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Group	
	2015	**2014**
	$'000	**$'000**
Cash flows from operating activities		
Profit (loss) before tax	**571**	(6,031)
Adjustment for:		
Amortisation of land use rights (Note 6)	**63**	60
Depreciation of property, plant and equipment	**667**	1,008
Impairment loss on goodwill (Note 6)	**347**	1,729
Impairment loss on land use rights (Note 6)	**1,300**	–
Impairment of property, plant and equipment (Note 6)	**348**	–
Interest income	**–**	(10)
Interest expense	**257**	383
Gains on disposal of subsidiaries, net (Note 6)	**(430)**	–
Gains on disposal of property, plant and equipment, net (Note 6)	**(5,043)**	(9)
Share of profit from equity-accounted joint ventures	**(98)**	(132)
Operating cash flow before changes in working capital	**(2,018)**	(3,002)
Trade and other receivables	**(4,303)**	4,911
Other assets	**757**	347
Inventories	**1,827**	536
Trade and other payables	**6,552**	88
Net cash flows from operations	**2,815**	2,880
Income taxes paid	**(234)**	(2)
Net cash flows from operating activities	**2,581**	2,878
Cash flows from investing activities		
Acquisition of non-controlling interest of subsidiary (Note 12)	**(65)**	–
Disposal of subsidiaries (net of cash disposed) (Note 12A)	**1,109**	–
Interest received	**–**	10
Proceeds from disposal of plant and equipment	**8,027**	119
Purchase of property, plant and equipment	**(4,456)**	(580)
Net cash flows from (used in) investing activities	**4,615**	(451)
Cash flows from financing activities		
Finance lease repayment	**(83)**	(123)
Interest paid	**(257)**	(383)
Repayment of bank borrowings	**(4,646)**	(4,213)
Net cash flows used in financing activities	**(4,986)**	(4,719)
Net increase (decrease) in cash and cash equivalents	**2,210**	(2,292)
Effect of exchange rate changes on cash and cash equivalent	**318**	142
Cash and cash equivalents, statement of cash flows, beginning balance	**1,781**	3,931
Cash and cash equivalents, statement of cash flows, ending balance (Note 22A)	**4,309**	1,781

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. GENERAL

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent"), its subsidiaries and the Group's interest in joint ventures (the "Group").

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors.

The Company's principal activities are those relating to supply of piping systems and related accessories for use in water and wastewater infrastructure developments. It is listed on Catalist which is a market on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 12 below.

The registered office is 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407. The Company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs need not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of profit or loss, as required or permitted by FRS.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. GENERAL (CONTINUED)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of comprehensive income is not presented.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest income is recognised using the effective interest method. Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see below).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Construction contracts – revenues and results

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year using the survey of work performed method. Contract costs consist of costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed by the customer. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular contract. Recognised revenues and profits are subject to revisions during the contract in the event that the assumptions regarding the overall contract outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The work in progress contracts have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	Over the terms of lease that are approximately 2%.
Plant and equipment	–	10% to 33.33%.

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Land use rights

Land use rights under operating leases are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses on a straight-line basis over the remaining lease period of 48 years.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Intangible assets

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

After initial recognition, an asset with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group's intangible assets consist of order backlog. The amortisable amount of an intangible asset is allocated based on the percentage of revenue recognised on contracts.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with FRS 28 Investments in Associates and Joint Ventures.

In the consolidated financial statements, the accounting for investments in a joint venture is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Where the fair values are measured on a provisional basis they are finalised within one year from the acquisition date with consequent retrospective changes to the amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by FRS 105 in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial assets (Continued)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year there were no financial assets classified in this category.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial assets (Continued)

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques. The relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Financial liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Fair value of measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2B. Other explanatory information

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Allowance for doubtful accounts:
An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible, impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Contracts work-in-progress:
When the outcome of a construction contract can be estimated reliably, contract revenue and profits associated with the construction contract are recognised by reference to the stage of completion of the contract activity at the reporting year end date using the survey of work performed method. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. An expected loss on the construction contract is recognised as an expense immediately. The long-term work in progress projects have operating cycles longer than one year. The Company includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year. Revenue from construction contracts amount to $Nil (2014: $6,147,000). If the estimated stage of completion were to increase or decrease by 10% from management estimates, the revenue would increase or decrease by approximately $Nil (2014: $615,000) respectively.

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year of the Group and the Company were approximately $4,979,000 (2014: $7,112,000) and $1,522,000 (2014: $3,786,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Income tax amounts:
The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 9 on income tax.

Useful lives of property, plant and equipment:
The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific asset (or class of assets) affected by the assumption of the Group and the Company were approximately $6,353,000 (2014: $4,335,000) and $4,728,000 (2014: $848,000) respectively.

Assessment of impairment of goodwill:
An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units ("CGU") and the use of estimates as disclosed in Note 15. Actual outcomes could vary from these estimates.

Estimated impairment of land use rights and deposit paid to a contractor:
The Group has land use rights at a carrying value of $1,471,000 (2014: $2,779,000) and a deposit paid to a contractor of $1,021,000, net of impairment allowance, (2014: $1,380,000) disclosed under Note 16 and Note 17 respectively. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The Group has entered into certain commitments pursuant to its acquisition of land use rights which if not met, may potentially result in an impairment to the land use rights. Details of the commitments are disclosed in Note 30. See Note 16 and Note 17 respectively for further details.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Measurement of impairment of subsidiaries and joint ventures:
Where a subsidiary or joint ventures is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investments are $1,726,000 (2014: $1,799,000) at the end of the reporting year. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Members of a Group:

Name	Relationship	Country of incorporation
Xu Jia Zu Holdings Pte. Ltd.	Ultimate parent company and immediate parent company	Singapore

The Company is a subsidiary of Xu Jia Zu Holdings Pte. Ltd., incorporated in Singapore, which is also the Company's ultimate parent company. Related companies in these financial statements include the members of the ultimate parent company's group of companies.

Richard Koh Chye Heng holds one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year. By virtue of Xu Jia Zu Holdings Pte. Ltd.'s Constitution, he has, or is deemed to have, the ability to exercise dominant influence over the parent company as well as the listed company.

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

Related parties in these financial statements refers to the companies with common director who have significant influence.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	2015 $'000	2014 $'000
Ultimate parent company:		
Rental income	–	2
Rental expense	(25)	(17)
Director:		
Professional fee expense	15	8
Other related parties:		
Royalty fees expense	154	280
Purchases of goods	3,579	4,768

3C. Key management compensation:

	2015 $'000	2014 $'000
Salaries and other short-term employee benefits	1,811	1,915

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	2015 $'000	2014 $'000
Remuneration of directors of the Company	566	821
Fees to directors of the Company	131	131
Fees to a firm in which a director is a member	15	8

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Key management compensation: (Continued)

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

3D. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

Group	Director of a subsidiary	
	2015	**2014**
	$'000	**$'000**
Other payables:		
Balance at beginning of the year	**(28)**	(12)
Amounts paid in and settlement of liabilities on behalf of the director of a subsidiary	**–**	(16)
Other adjustments	**28**	–
Balance at end of the year (Note 26)	**–**	(28)

Company	Subsidiaries	
	2015	**2014**
	$'000	**$'000**
Other receivables (payables):		
Balance at beginning of the year – net debit	**2,691**	3,967
Amounts paid out/(in) and settlement of liabilities on behalf of subsidiaries/the Company	**2,255**	(1,276)
Balance at end of the year – net debit	**4,946**	2,691
Presented in the statement of financial position as follows:		
Other receivables (Note 21)	**5,159**	3,185
Other payables (Note 26)	**(213)**	(494)
Balance at end of the year – net debit	**4,946**	2,691

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3D. Other receivables from and other payables to related parties: (Continued)

	Ultimate parent company			
	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Other payables:				
Balance at beginning of the year – net debit (credit)	**–**	–	**–**	–
Amounts paid in and settlement of liabilities on behalf of the Company	**(1,830)**	–	**(1,830)**	–
Balance at end of the year (Note 26)	**(1,830)**	–	**(1,830)**	–

	Related parties			
	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Other receivables (payables):				
Balance at beginning of the year – net debit (credit)	**327**	(740)	**322**	(751)
Amounts paid out/(in) and settlement of liabilities on behalf of related parties/ the Company	**(77)**	1,067	**(72)**	1,073
Balance at end of the year – net debit	**250**	327	**250**	322
Presented in the statement of financial position as follows:				
Other receivables (Note 21)	**303**	380	**303**	375
Other payables (Note 26)	**(53)**	(53)	**(53)**	(53)
Balance at end of the year – net debit	**250**	327	**250**	322

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. FINANCIAL INFORMATION BY OPERATING SEGMENT

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported results or financial position of the Group.

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) Portable water, (2) Waste water, (3) NEWater, (4) Valves and (5) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

(1) Portable water ("PW") – Pipelines linking the raw water collection points to the water purification plants, or the distribution pipelines bringing clean water supply to homes and industrial buildings;
(2) Wastewater ("WW") – Waste and sewer pipelines that channel the discharge of waste matter to the wastewater treatment plants for treatment before it is discharged into the sea or routed to other uses;
(3) NEWater ("NW") – Pipelines relating to NEWater treatment plants;
(4) Valves ("VA") – Valves for municipal and industrial applications; and
(5) Others – Pipelines relating to oil and gas industry.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate a segment's operating results is gross profit.

Segment assets consist principally of trade receivables that are directly attributable to a segment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4A. Information about reportable segment profit or loss, assets and liabilities (Continued)

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

4B. Profit or loss from continuing operations and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment														
External revenue	**18,802**	12,017	**2,267**	295	**4,771**	1,040	**14,359**	16,410	**4,545**	17,123	**–**	–	**44,744**	46,885
Results:–														
Segment result	**4,667**	2,869	**545**	91	**526**	47	**2,913**	3,235	**1,307**	2,052	**–**	–	**9,958**	8,294
Interest income									**–**	–	**–**	10	**–**	10
Finance costs									**–**	(42)	**(257)**	(341)	**(257)**	(383)
Amortisation of land use rights									**(63)**	(60)	**–**	–	**(63)**	(60)
Depreciation of property, plant and equipment									**–**	(101)	**(667)**	(907)	**(667)**	(1,008)
Employee benefits expenses									**–**	(567)	**(5,634)**	(6,917)	**(5,634)**	(7,484)
Impairment of assets									**–**	(1,729)	**(2,451)**	(276)	**(2,451)**	(2,005)
Unallocated corporate expenses									**–**	–	**(2,943)**	(2,946)	**(2,943)**	(2,946)
Other (losses) gains									**–**	(35)	**2,530**	(546)	**2,530**	(581)
Share of profit from equity-accounted joint ventures									**–**	–	**98**	132	**98**	132
Profit (loss) before tax													**571**	(6,031)
Income tax credit (expense)													**6**	(12)
Profit (loss) net of tax													**577**	(6,043)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4C. Assets, liabilities and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets														
Trade and other receivables	**7,075**	4,358	**3,147**	708	**201**	62	**3,499**	5,339	**1,914**	5,460	**–**	–	**15,836**	15,927
Property, plant and equipment									**–**	282	**6,353**	4,053	**6,353**	4,335
Cash and cash equivalents									**–**	228	**4,309**	2,521	**4,309**	2,749
Asset held for sale under FRS 105									**–**	–	**120**	2,128	**120**	2,128
Others									**–**	–	**8,884**	13,962	**8,884**	13,962
Total assets													**35,502**	39,101
Reportable segment liabilities									**–**	1,628	**14,270**	10,547	**14,270**	12,175
Trade and other payables									**–**	642	**1,977**	7,199	**1,977**	7,841
Other financial liabilities									**–**	–	**303**	700	**303**	700
Others														
Total liabilities													**16,550**	20,716
Capital expenditure									**–**	2	**4,455**	895	**4,455**	897

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4D. Geographical information

	Revenue		Non-current assets	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Singapore	**16,267**	11,892	**5,229**	1,244
Australia	**1,346**	1,589	**44**	1,005
Brunei	**2,111**	881	**–**	–
China	**5,891**	8,746	**2,539**	3,866
Europe	**4,464**	5,534	**415**	867
Hong Kong	**5,803**	3,594	**11**	11
Indonesia	**52**	40	**1**	1
Japan	**6,911**	1,979	**–**	–
Malaysia	**360**	8,895	**–**	1,190
Vietnam	**126**	565	**–**	–
Others	**1,413**	3,170	**3**	2
Subtotal for all foreign countries	**28,477**	34,993	**3,013**	6,942
Total	**44,744**	46,885	**8,242**	8,186

Revenues are attributed to countries on the basis of the customer's location irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

5. REVENUE

	Group	
	2015	2014
	$'000	$'000
Sale of goods	**44,397**	40,544
Amount recognised from construction contracts	**–**	6,147
Rental income	**75**	94
Commission income	**33**	79
Other income	**239**	21
Total revenue	**44,744**	46,885

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2015	**2014**
	$'000	**$'000**
Allowance for impairment on other assets (Note 17)	**(408)**	(276)
Amortisation of land use rights (Note 16)	**(63)**	(60)
Bad debts written off – trade receivables	**(2)**	(15)
Foreign exchange adjustment losses, net	**(156)**	(517)
Gains on disposal of property, plant and equipment, net	**5,043**	9
Gains on disposal of subsidiaries, net (Note 12A)	**430**	–
Government grant	**16**	100
Impairment loss on goodwill (Note 15A)	**(347)**	(1,729)
Impairment loss on land use rights (Note 16)	**(1,300)**	–
Impairment loss on property, plant and equipment	**(348)**	–
Inventories written down (Note 19)	**(551)**	(66)
Inventories written off	**(216)**	(6)
Net allowance for impairment on trade receivables – loss (Note 21)	**(2,114)**	(144)
Sundry income	**32**	58
Net	**16**	(2,646)
Presented in profit or loss as:		
Other gains	**5,521**	167
Other losses	**(5,505)**	(2,813)
Net	**16**	(2,646)

7. MARKETING AND DISTRIBUTION COSTS, AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2015	**2014**
	$'000	**$'000**
Marketing and distribution costs		
Employee benefits expense	**2,838**	4,121
Penalty for late delivery	**526**	–
Administrative expenses		
Employee benefits expense	**2,064**	2,633
Depreciation of property, plant and equipment	**392**	572

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2015	**2014**
	$'000	**$'000**
Employee benefits expense	**5,075**	6,692
Contributions to defined contribution plan	**432**	581
Other benefits	**127**	211
Total employee benefits expense	**5,634**	7,484
The employee benefits expense is charged under:		
Administrative expenses	**2,064**	2,633
Cost of sales	**732**	730
Marketing and distribution costs	**2,838**	4,121
	5,634	7,484

9. INCOME TAX

9A. Components of tax expense recognised in profit or loss include:

	Group	
	2015	**2014**
	$'000	**$'000**
Current tax expense:		
Current tax expense	**195**	152
Over adjustments in respect of prior periods	**(258)**	(4)
Subtotal	**(63)**	148
Deferred tax expense/(credit):		
Deferred tax expense/(credit)	**57**	(136)
Subtotal	**57**	(136)
Total income tax (credit)/expense	**(6)**	12

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX (CONTINUED)

9A. Components of tax expense recognised in profit or loss include: (Continued)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2014: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2015	2014
	$'000	$'000
Profit (loss) before tax	571	(6,031)
Less: Share of profit from equity-accounted joint ventures	(98)	(132)
	473	(6,163)
Income tax expense/(credit) at the above rate	80	(1,048)
Effect of different tax rates in different countries	(250)	(178)
Non-deductible items	670	367
Deferred tax not recognised	(311)	892
Over adjustments to current tax in respect of prior periods	(258)	(4)
Other minor items less than 3% each	63	(17)
Total income tax (credit)/expense	(6)	12

There are no income tax consequences of individuals to owners of the Company.

The major non-deductible items include the following:

	Group	
	2015	2014
	$'000	$'000
Depreciation on non-qualifying plant and equipment	21	14
Allowance for impairment on other asset, current	61	–
Inventories written down	94	–
Impairment loss on land use rights	221	–
Impairment loss on goodwill	59	362
Impairment loss on property, plant and equipment	59	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX (CONTINUED)

9B. Deferred tax balance recognised in profit or loss includes:

	Group	
	2015	2014
	$'000	$'000
Intangible asset acquired	–	(6)
Excess of book value of property, plant and equipment over tax values	**77**	208
Tax loss carryforwards	**(454)**	790
Wear and tear allowances carryforwards	**(32)**	32
Provisions	**41**	4
Deferred tax not recognised	**311**	(892)
Total deferred tax expense/(credit) recognised in profit or loss	**(57)**	136

9C. Deferred tax balance in the statement of financial position:

	Group	
	2015	2014
	$'000	$'000
Deferred tax assets (liabilities) recognised in profit or loss:		
Intangible asset acquired	–	(19)
Deferred income	**147**	147
Excess of book value of property, plant and equipment over tax values	**29**	(48)
Tax loss carryforwards	**1,073**	1,528
Wear and tear allowances carryforwards	–	32
Provisions	**115**	74
Unrecognised deferred tax assets	**(1,294)**	(1,605)
Net balance	**70**	109
Presented in the statement of financial position as follows:		
Deferred tax liabilities	**(81)**	(99)
Deferred tax assets	**151**	208
Net balance	**70**	109

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. INCOME TAX (CONTINUED)

9C. Deferred tax balance in the statement of financial position: (Continued)

Movements in deferred tax balances in the balance sheet are as follows:

	Group	
	2015	2014
	$'000	$'000
Balance at beginning of the year – net	**109**	(27)
Foreign exchange adjustment	**2**	–
Deferred tax balance recognised in profit or loss (Note 9B)	**(57)**	136
Disposal of subsidiary (Note 12A)	**16**	–
Balance at end of the year – net	**70**	109

	Company	
	2015	2014
	$'000	$'000
Deferred tax liabilities:		
Excess of book value of property, plant and equipment over tax values	**26**	(64)
Other temporary differences	**(107)**	(17)
Total deferred tax liabilities	**(81)**	(81)
Deferred tax assets:		
Tax loss carryforwards	**440**	459
Wear and tear allowances carryforwards	**–**	31
Provisions	**116**	68
Unrecognised deferred tax assets	**556**	(558)
Total deferred tax assets	**–**	–
Net deferred tax liabilities	**(81)**	(81)

It is impracticable to estimate the amount expected to be settled or used within one year.

The above deferred tax assets for the tax losses that have not been recognised in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Temporary differences arising in connection with interests in subsidiaries and joint ventures are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. EARNINGS (LOSS) PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	2015 $'000	2014 $'000
A. Numerator: profit (loss) attributable to equity:		
Continuing operations:		
Total basic and diluted earnings (loss) attributable to owners of the parent	**656**	(5,721)

	No. of shares '000	No. of shares '000
B. Denominator: weighted average number of equity shares		
Basic and diluted	**214,202**	214,202

The weighted average number of equity shares refers to shares in circulation during the reporting year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2014	3,390	8,025	11,415
Additions	43	854	897
Disposals	–	(78)	(78)
Reclassification to asset held for sale under FRS 105 (Note 18)	(2,980)	(344)	(3,324)
Foreign exchange adjustments	(1)	(174)	(175)
At 31 December 2014	**452**	**8,283**	**8,735**
Additions	**3,720**	**736**	**4,456**
Disposals	**(117)**	**(3,372)**	**(3,489)**
Foreign exchange adjustments	**(13)**	**(214)**	**(227)**
At 31 December 2015	**4,042**	**5,433**	**9,475**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Accumulated depreciation and impairment losses:			
At 1 January 2014	848	3,873	4,721
Depreciation for the year	130	878	1,008
Reclassification to asset held for sale under FRS 105 (Note 18)	(971)	(225)	(1,196)
Disposals	–	(75)	(75)
Foreign exchange adjustments	–	(58)	(58)
At 31 December 2014	**7**	**4,393**	**4,400**
Depreciation for the year	**5**	**662**	**667**
Disposals	**(5)**	**(2,190)**	**(2,195)**
Impairment for the year	**–**	**348**	**348**
Foreign exchange adjustments	**(1)**	**(97)**	**(98)**
At 31 December 2015	**6**	**3,116**	**3,122**
Net book value:			
At 1 January 2014	2,542	4,152	6,694
At 31 December 2014	445	3,890	4,335
At 31 December 2015	**4,036**	**2,317**	**6,353**

Allocation of the depreciation expense and impairment loss are as follows:

	2015 $'000	2014 $'000
Cost of sales	**118**	268
Marketing and distribution costs	**157**	168
Administrative expenses (Note 7)	**392**	572
Other losses (Note 6)	**348**	–
Total	**1,015**	1,008

Assets held in trust

Leasehold properties amounting to $3,720,000 (2014: $Nil) is held in trust for the Group and the Company by the ultimate parent company, Xu Jia Zu Holdings Pte Ltd.

Assets held under finance leases

Certain items are under finance lease agreements (see Note 25C).

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties with a carrying amount of $Nil (2014: $128,000) are mortgaged to secure the Group's bank loans (Note 25A).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction

Properties include buildings in the course of construction with a cost of $320,000 (2014: $316,000).

Plant and equipment includes equipment under construction with cost of $145,000 (2014: $Nil).

Impairment of assets

During the reporting year ended 31 December 2015, a subsidiary carried out a review of the recoverable amount of its moulds, patterns and tools classified in plant and equipment. An impairment loss of $348,000 (2014: $Nil), representing the write-down of these equipment to the recoverable amount was recognised in "Other losses" (Note 6) in profit or loss. The recoverable amount of the plant and equipment was based on its value in use.

Company	**Leasehold properties $'000**	**Plant and equipment $'000**	**Total $'000**
Cost:			
At 1 January 2014	2,980	2,691	5,671
Additions	–	635	635
Disposal	–	(42)	(42)
Reclassification to asset held for sale under FRS 105 (Note 18)	(2,980)	(344)	(3,324)
At 31 December 2014	**–**	**2,940**	**2,940**
Additions	**3,720**	**503**	**4,223**
Disposal	**–**	**(1,095)**	**(1,095)**
At 31 December 2015	**3,720**	**2,348**	**6,068**
Accumulated depreciation:			
At 1 January 2014	842	2,133	2,975
Depreciation for the year	129	226	355
Disposal	–	(42)	(42)
Reclassification to asset held for sale under FRS 105 (Note 18)	(971)	(225)	(1,196)
At 31 December 2014	**–**	**2,092**	**2,092**
Depreciation for the year	**5**	**247**	**252**
Disposal	**–**	**(1,004)**	**(1,004)**
At 31 December 2015	**5**	**1,335**	**1,340**
Net book value:			
At 1 January 2014	2,138	558	2,696
At 31 December 2014	–	848	848
At 31 December 2015	**3,715**	**1,013**	**4,728**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	**2014**
	$'000	**$'000**
At cost:		
Balance at beginning of the year	**14,397**	12,397
Additions	**65**	2,000
Disposals	**(4,450)**	–
Reclassified to other financial assets [9]	**(701)**	–
	9,311	14,397
Allowance for impairment	**(3,257)**	(4,041)
Balance at the end of the year	**6,054**	10,356
Analysis of above amounts denominated in non-functional currencies:		
Australian Dollars	**394**	1,396
Chinese Renminbi	**4,830**	4,830
Hong Kong Dollars	**586**	586
Indonesian Rupiah	**151**	86
Malaysia Ringgit	**–**	3,299
Thai Baht	**170**	170
Movements in allowance for impairment:		
Balance at beginning of the year	**4,041**	1,952
Impairment loss charge to profit or loss included in other losses	**3,508**	2,089
Impairment allowance written off on disposal	**(3,591)**	–
Reclassified to other financial assets [9]	**(701)**	–
Balance at end of the year	**3,257**	4,041
Net book value of subsidiaries	**6,434**	10,506

The decreasing performance of Duvalco Valves & Fittings Pte. Ltd. ("DVF"), Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAMTJ"), PA PTE (Thailand) Company Limited ("PAPTE"), and DVC Engineering & Trading Sdn. Bhd. ("DVC") were considered sufficient evidence to trigger an impairment test, resulting in impairment losses amounting to $2,500,000, $500,000, $170,000 and $338,000 respectively to write down the cost of investments to their recoverable amount during the reporting year ended 31 December 2015.

On 17 February 2015, the Company entered into a Sales and Purchase agreement (the "S&P agreement") to dispose its entire 60% interest in the share capital of PVT Engineering Sdn. Bhd. ("PVT") for RM1,600,000 or approximately $605,000. Accordingly, the cost of investment in PVT of $2,226,000 was impaired to its recoverable amount of $605,000 based on the agreed purchase consideration of $605,000, resulting in an impairment charge of $1,621,000 during the reporting year ended 31 December 2014.

During the reporting year ended 31 December 2014, the decreasing performance of Pan Asian HB Pte. Ltd. ("PAHB") and DVC were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $315,000 and $152,000 respectively to write down the cost of investments to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The listing of and information on the subsidiaries are given below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2015	2014	2015	2014
	$'000	$'000	%	%
Duvalco Valves & Fittings Pte. Ltd. [(1), (6)] Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	**3,000**	3,000	**100**	100
Pan Asian Eco Solutions Pte. Ltd. [(4)] Singapore De-registered during the year	**–**	–	**–**	100
Pan Asian HB Pte. Ltd. Singapore De-registered during the year	**–**	825	**–**	100
W.D. Moore (Asia) Pte. Ltd. [(5)] Singapore De-registered during the year	**–**	25	**–**	76
PA Tech (Asia) Pte. Ltd. [(1)] Singapore Supply marine and offshore products (RSM Chio Lim LLP)	**180**	180	**60**	60
Pan Asian Holdings (B) Sdn Bhd [(3), (4)] Brunei Darussalam General importers and exporters for pipes	**–**	–	**100**	100
PVT Engineering Sdn. Bhd. [(10)] Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application	**–**	2,598	**–**	60

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2015	2014	2015	2014
	$'000	$'000	%	%
Pan Asian Flow Technology Pte. Ltd. (1), (4), (12) Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	**–**	–	**100**	–
PA Corporation (M) Sdn. Bhd. (9) Malaysia General importers and exporters for pipes and valves	**–**	211	**–**	100
DVC Engineering & Trading Sdn. Bhd. (9) Malaysia General importers and exporters of valves	**–**	490	**–**	70
Pan Asian Water Solutions (HK) Limited (1) Hong Kong Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Hong Kong)	**586**	586	**100**	100
PA Water Solutions (Shanghai) Limited (2) People's Republic of China General importers and exporters of pipes and valves (BDO Shu Lun Pan Certified Public Accountants)	**330**	330	**100**	100
Pan Asian Manufacturing (Tianjin) Co. Ltd (2) People's Republic of China Manufacturing and supply of pipes, fittings, valves and other related accessories (Zhong Peng Public Accountants)	**4,500**	4,500	**100**	100
PA PTE (Thailand) Company Limited (3), (7) Thailand Exporting and importing of water treatment products	**170**	170	**80**	80

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2015 $'000	2014 $'000	2015 %	2014 %
PT. Pan Asian Water Solutions [2], [11] Indonesia Exporting and importing of products of water treatment (PT. ASA Indonesia)	**151**	86	**100**	51
W.D. Moore (2013) Pty Ltd [1] Australia Supply of windmill and solar-powered water pumping systems (RSM Australia)	**394**	394	**100**	100
W.D. Moore Pty Ltd [13] Australia Liquidation completed during the year	**–**	1,002	**–**	51
Total in books of the Company	**9,311**	14,397		
Held by Duvalco Valves and Fittings Pte. Ltd.				
Duvalco B.V. [8] Netherlands Manufacturing of valves and fittings (RSM Rotterdam)	**1,006**	1,006	**100**	100
DWK (Tianjin) Co., Limited [2] People's Republic of China Manufacturing of valves and fittings (Zhong Peng Public Accountants)	**1,487**	1,487	**60**	60
Held by DWK Valves (Tianjin) Co., Limited				
Shanghai Ji Xin Flow Control Co., Limited [1] People's Republic of China Supply of piping systems for use in water and wastewater infrastructure developments, and marine and industrial applications (RSM China Certified Public Accountants)	**59**	59	**60**	60

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2015	2014	2015	2014
	$'000	$'000	%	%
Held by PVT Engineering Sdn. Bhd.				
GLS Tanks Malaysia Sdn. Bhd. (10) Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application	–	43	–	60
Held by PA Water Solutions (Shanghai) Limited				
Pan Asian (Tianjin) Industrial and Trading Co., Ltd (3) People's Republic of China In the process of de-registration	**55**	55	**55**	55

(1) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(2) Other independent auditor. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(3) Not audited, as it is immaterial. The unaudited management financial statements at 31 December 2015 have been used for consolidation purposes.

(4) Cost of investment is less than $1,000.

(5) W.D. Moore (Asia) Pte. Ltd. ("WDMA") is 51% held by the Company, and 49% held by W.D. Moore Pty Ltd ("WDM"), a 51% owned subsidiary of the Group. WDMA has been de-registered during the year.

(6) On 10 September 2014, a total of 2,000,000 ordinary shares of no par value were issued in Duvalco Valves & Fittings Pte. Ltd. by way of a capitalisation of loans payable to the Company amounting to $2,000,000.

(7) 31% of the shares in PA PTE (Thailand) Company Limited is held in trust, 49% of the shares are registered under the Company's name.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(8) Not required to be audited by the laws of local jurisdiction. RSM Rotterdam appointed to perform an audit for group consolidation purposes.

(9) The Group was unable to exercise majority control over the board of directors and management of PA Corporation (M) Sdn. Bhd. ("PACO") and DVC Engineering & Trading Sdn. Bhd. ("DVC"). The Group management has considered the above facts and circumstances in accordance with FRS 110 and assessed that the Group is deemed to no longer have control over PACO and DVC and accordingly, the investments in PACO and DVC was reclassified to other financial assets (Note 14) with effect from 1 August 2015. Consequentially, the Group has de-consolidated PACO and DVC with effect from 1 August 2015 (Note 12A).

(10) PVT Engineering Sdn. Bhd. and GLS Tanks Malaysia Sdn. Bhd. (collectively "PVT Group") are deemed to be "Asset held for sale under FRS 105" in accordance with the S&P agreement dated 17 February 2015 (see Note 12A and 18).

(11) On 27 January 2015, the Company acquired the remaining 49,000 shares, representing 49% of the paid-up share capital in PT. Pan Asian Water Solutions from its non-controlling shareholders for a total consideration of US$49,000 or approximately $65,000.

(12) On 20 May 2015, the Company incorporated a wholly-owned subsidiary, Pan Asian Flow Technology Pte Ltd with paid up capital of $1.

(13) On 20 February 2015, the liquidation proceedings for WDM was completed and accordingly de-consolidated during the reporting year (see Note 12A).

As required by Rule 716 of the Catalist Listing Manual of The Singapore Exchange Securities Trading Limited, the Audit Committee and the board of directors of the Company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12A. Disposal of subsidiaries

The subsidiaries, PACO and DVC were de-consolidated on 1 August 2015. (See Note 12[(9)]).

The results for the reporting year from the disposal of the subsidiaries (as mentioned above) and the results for the previous reporting year and for the period from the beginning of the reporting year to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	Group	
	At date of disposal in 2015 $'000	**2014 $'000**
Revenue	**127**	8,578
Expenses	**(166)**	(11,522)
Loss before tax and loss after tax before disposal loss	**(39)**	(2,944)
Presented as:		
Gains on disposal of subsidiaries, net	**604**	–
Allowance of impairment on trade and other receivables – loss (Note 21)	**(1,017)**	–
Net loss on disposal	**(413)**	–

A net loss on disposal of $413,000 arose from the de-consolidation being the consideration receivable on disposal less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the transaction. The subsidiaries' unaudited financial statements as at 31 July 2015 were used to determine the above loss on disposal of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12A. Disposal of subsidiaries (Continued)

The carrying amount of the assets and liabilities of the subsidiaries at the date of disposal are detailed as follows:

	PVT Group $'000	DVC $'000	PACO $'000	WDM $'000	WDMA $'000	Total $'000
Property, plant and equipment	282	144	3	–	–	429
Inventories	–	149	2	155	–	306
Trade and other receivables	2,095	1,155	607	536	–	4,393
Other asset	42	20	13	–	–	75
Cash and cash equivalents	(310)	(225)	–	31	–	(504)
Deferred tax liabilities (Note 9C)	–	(16)	–	–	–	(16)
Other financial liabilities	(104)	(61)	–	–	–	(165)
Trade and other payables	(1,630)	(1,332)	(1,036)	(540)	–	(4,538)
Net carrying amount of assets disposed	375	(166)	(411)	182	–	(20)
Less: Non-controlling interests	(150)	50	–	(90)	(26)	(216)
Less: Intangible assets (Note 15A)	380	–	–	–	–	380
Net assets disposed	605	(116)	(411)	92	(26)	144
Less: Foreign currency translation reserve realised	36	(9)	(68)	72	–	31
Gain (losses) on disposal (Note 6)	(36)	125	479	(164)	26	430
Total consideration	605	–	–	–	–	605

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries were as follows:

	PVT Group $'000	DVC $'000	PACO $'000	WDM $'000	WDMA $'000	Total $'000
Cash consideration	605	–	–	–	–	605
Cash and cash equivalents disposed of	(228)	(71)	–	(31)	–	(330)
Bank overdraft	538	296	–	–	–	834
Net cash inflow	915	225	–	(31)	–	1,109

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Movements in carrying value:				
Balance at beginning of the year	**242**	110	**105**	105
Share of profit for the year	**98**	132	**–**	–
Balance at end of the year	**340**	242	**105**	105
Carrying value:				
Unquoted equity share at cost	**198**	198	**149**	149
Allowance for impairment	**–**	–	**(44)**	(44)
Share of post-acquisition profit	**142**	44	**–**	–
	340	242	**105**	105
Share of net book value of joint ventures	**198**	248	**198**	248
Analysis of above amount denominated in non-functional currency:				
– Sterling Pound	**94**	121	**–**	–

The listing of and information on the joint ventures are given below:

Name of joint ventures, country of incorporation, place of operations and principal activities (and independent auditor)	**Effective percentage of equity held by the Group**	
	2015	**2014**
	%	**%**
Franklin Hodge Pte. Ltd. Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	**50**	50
S-Two (Asia) Pte. Ltd. Singapore Trading of marine engine and ship parts (RSM Chio Lim LLP)	**50**	50

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Name of joint ventures, country of incorporation, place of operations and principal activities (and independent auditor)	Effective percentage of equity held by the Group	
	2015	2014
	%	%
Duvalco Controls Company Limited [(1), (2)] Thailand Supply of piping systems, water tank system and related accessories	**49**	49
Held by Duvalco Valves & Fittings Pte. Ltd.		
Duvalco UK Limited [(1)] United Kingdom Selling valves and pipes within United Kingdom	**50**	50
Held by Franklin Hodge Pte. Ltd.		
Franklin Hodge Sdn. Bhd. [(1)] Malaysia Inactive (GEP Associates)	**50**	50

(1) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2015 have been used for consolidation purposes.

(2) The cost of investment was fully impaired prior to 1 January 2013.

The summarised financial information of the joint ventures, not adjusted for the percentage ownership held by the Group is as follows:

	Group	
	2015	2014
	$'000	$'000
Assets	**1,443**	1,825
Liabilities	**1,047**	1,330
Revenue	**1,755**	7,294
(Loss) profit for the year	**(104)**	264

There are no significant restrictions on the ability of the joint ventures to transfer funds to the Group in the form of cash dividends.

During the reporting year ended 31 December 2015, the Group has stopped recognising its share of losses of one of the joint venture. The unrecognised share of losses amount to $299,000 for the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Unquoted shares in a corporation, at cost (#)	**700**	–	**700**	–
Less allowance for impairment	**(700)**	–	**(700)**	–
At fair value at end of the year	**–**	–	**–**	–
Balance at end of the year	**–**	–	**–**	–

(#) As disclosed in Note 12[9], the investments in PACO and DVC were reclassified to unquoted investments at cost less allowance for impairment with effect from 1 August 2015.

As far as unquoted equity instruments are concerned, in cases where it is not possible to reliably measure the fair value, such instruments are carried at cost less accumulated allowance for impairment. Impairment losses recognised in profit or loss for equity investments are not reversed.

15. INTANGIBLE ASSETS

	Group	
	2015	2014
	$'000	$'000
Goodwill (Note 15A)	**–**	727
Other intangible assets (Note 15B)	**–**	–
Total intangible assets	**–**	727

15A. Goodwill

	Group	
	2015	2014
	$'000	$'000
Cost:		
Balance at beginning of the year	**2,456**	2,456
Write off	**(2,456)**	–
Balance at end of the year	**–**	2,456
Accumulated impairment:		
Balance at beginning of the year	**(1,729)**	–
Impairment loss charge to profit or loss included in other losses (Note 6)	**(347)**	(1,729)
Write off	**2,076**	–
Balance at end of the year	**–**	(1,729)
Net book value at end of the year	**–**	727

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. INTANGIBLE ASSETS (CONTINUED)

15A. Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each subsidiary as follows:

	Group	
	2015	2014
	$'000	$'000
Name of subsidiary:		
PVT Engineering Sdn. Bhd. and its subsidiary	–	380
DVC Engineering & Trading Sdn. Bhd.	–	347
	–	727

The goodwill of the subsidiaries above is included under the "Others" operating segment.

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use.

PVT Engineering Sdn. Bhd. ("PVT") and its subsidiary

As at 31 December 2014, the carrying amount of goodwill for PVT group was reduced to its recoverable amount (Level 3) through an impairment loss against goodwill of $1,729,000 recognised in profit or loss (Note 6). The recoverable amount of PVT group was based on the fair value of PVT group less costs of disposal. Fair value of PVT group was determined based on the purchase consideration of RM1,600,000 or approximately $605,000 per the S&P agreement to dispose the PVT group entered into in the reporting year ended 31 December 2015.

Following the disposal of PVT group (see Note 12), the cost and accumulated impairment of goodwill attributable to PVT group amounting to $2,109,000 and $1,729,000 respectively were written off and recognised under "gains on disposal of subsidiaries, net" in the profit or loss (Note 6).

DVC Engineering & Trading Sdn. Bhd. ("DVC")

As at 31 December 2014, the goodwill for DVC was tested for impairment. The recoverable amount of DVC was determined based on its value in use method, measured using a discounted cash flow model covering a five year method of the CGU.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. INTANGIBLE ASSETS (CONTINUED)

15A. Goodwill (Continued)

The key assumptions for the value in use calculations were those regarding the discount rates, growth rates, visible success rates of sales projects and direct costs during the period. Management estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risks specific to the CGUs. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the market.

The Group derived its five year cash flow forecasts from the most recent financial budgets approved by management, taking into consideration the historical trends of profit and loss. Cash flows projections for the next five years were estimated based on actual revenues of FY2014 at 10% growth rate for the next two years and 0% growth rate subsequently. A terminal growth rate of 0% was used. The terminal growth rate did not exceed the long-term growth rate of the sector. The value in use was a recurring fair value measurement (Level 3). A discount rate of 16% representing the subsidiary's weighted average cost of capital was used to discount the forecasted cash flow.

Based on the value in use assessment (Level 3) performed, no impairment charge was recognised because the shortfall between the carrying amount of the CGU and its recoverable amount was not material. If a post-tax discount rate of 18% was used (which is 2% higher than management's estimates), an impairment of $44,000 would have been recognised.

Management was of the opinion that any reasonably possible change in the key assumptions on which recoverable amount was based would not cause the carrying amount to exceed its recoverable amount significantly. The value in use was a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the CGU were consistent with those used for the measurement last performed.

Following the de-consolidation of DVC (see Note 12A), an allowance loss on goodwill of $347,000 was recognised in profit or loss included in other losses during the reporting year ended 31 December 2015 (Note 6).

15B. Other intangible assets

	Group	
	2015	**2014**
	$'000	**$'000**
Cost:		
At beginning and end of the year	**597**	597
Accumulated amortisation:		
At beginning and end of the year	**597**	597
Net book value:		
At beginning and end of the year	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

16. LAND USE RIGHTS

	Group	
	2015	**2014**
	$'000	**$'000**
Cost:		
At beginning of the year	**2,949**	2,924
Foreign exchange adjustments	**40**	25
At end of the year	**2,989**	2,949
Accumulated amortisation:		
At beginning of the year	**170**	103
Amortisation for the year included in other losses (Note 6)	**63**	60
Impairment loss for the year included in other losses (Note 6)	**1,300**	–
Foreign exchange adjustments	**(15)**	7
At end of the year	**1,518**	170
Net book value:		
At beginning of the year	**2,779**	2,821
At end of the year	**1,471**	2,779

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. The land use rights expire in year 2060 and are not transferrable. Certain commitments in relation to the land use rights are disclosed under Note 30.

As at 31 December 2015, the land use rights was written down to its net realisable value based on management's best estimate.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. OTHER ASSETS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Non-current:				
Club memberships at cost	**105**	105	**105**	105
Less allowance for impairment	**(27)**	(2)	**(27)**	(2)
	78	103	**78**	103
Current:				
Advance payment to contractor	**1,688**	1,665	**–**	–
Less allowance for impairment	**(667)**	(285)	**–**	–
Prepayments	**676**	1,329	**125**	280
Deposits to secure services	**168**	82	**103**	13
	1,865	2,791	**228**	293
Movements in above allowance:				
Balance at beginning of the year	**287**	2	**2**	2
Charge to profit or loss included in other losses (Note 6)	**408**	276	**25**	–
Foreign exchange adjustments	**(1)**	9	**–**	–
Balance at end of the year	**694**	287	**27**	2

The above club memberships are held in trust by certain directors and employees.

The carrying value of club memberships is at cost less allowance for impairment. The fair value of the club memberships is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently, it is carried at cost less allowance for impairment.

Advance payment of RMB7,800,000 was made to a contractor to construct plant and equipment on the land in Tianjin Ecocity, People's Republic of China. See Notes 16 and 30 for further details. During the reporting year 31 December 2013, the Group commenced arbitration proceedings against the contractor for full recovery of the prepayment less costs incurred to date by the contractor. In September 2014, the Wuxi Arbitration Committee appointed an independent third party surveyor to provide an Appraisal Report on the amount of work done by the contractor and estimate the cost incurred on the construction project. Based on the Appraisal Report, the estimated cost incurred by the contractor amounted to RMB1,337,000 or approximately $276,000. As a result, an allowance for impairment amounting to $276,000 was recognised in profit or loss (included in other losses) during the reporting year ended 31 December 2014 to write down the carrying value to RMB6,463,000 or approximately $1,380,000.

Subsequent to the reporting year ended 31 December 2015, the Wuxi Arbitration Committee concluded the proceedings and awarded the amount of RMB4,800,000 in favour of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. OTHER ASSETS (CONTINUED)

As a result, an additional impairment amounting to RMB1,745,000 or $383,000 was recognised in the profit or loss included in other losses (Note 6).

18. ASSET HELD FOR SALE UNDER FRS 105

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Asset held for sale:				
Leasehold property at net book value (Note 11)	–	2,009	–	2,009
Plant and equipment at net book value (Note 11)	–	119	–	119
Investment held for disposal	120	–	120	–
	120	2,128	120	2,128

As disclosed in reporting year ended 31 December 2014, the Company announced the sale of its leasehold property at 2 Tractor Road subsequent to the end of the reporting year. The said leasehold property and its attached renovation was presented as an asset held for sale as the decision to sell the leasehold property was made by management before the end of the reporting year date as part of the Group's plan to optimise its resources. The sale was completed in the third quarter of 2015.

As disclosed in Note 12, the Company entered into a S&P agreement dated 17 February 2015 to dispose its entire 60.0% interest in the share capital of PVT. Under the terms of the S&P agreement, the shares sales are completed progressively based on proceeds received. As at 31 December 2015, the remaining number of shares held by the Company was 118,000 amounting to approximately 11.9%. Accordingly, it was presented as investment held for sale. The entire sale was completed on 21 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

19. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	**4,979**	7,112	**1,522**	3,786

Inventories are stated after allowance.

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Movements in allowance:				
Balance at beginning of the year	**454**	391	**355**	293
Charge to profit or loss included in other losses (Note 6)	**551**	66	**446**	62
Foreign exchange adjustments	**1**	(3)	**–**	–
Balance at end of the year	**1,006**	454	**801**	355
Changes in inventories of finished goods	**2,133**	536		
Cost of inventories sold recognised in cost of sales	**30,983**	35,346		

Certain inventories are pledged as security for trust receipts (see Note 25A).

20. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2015	2014
	$'000	$'000
Aggregate costs incurred and recognised profits (less recognised losses) to date on projects	**–**	7,056
Less progress payments received/receivable and advances to date	**–**	(7,017)
Net amount arising from construction contracts at end of the year	**–**	39
Presented in the statement of financial position as follows:		
Trade receivables (Note 21)	**–**	266
Trade payables (Note 26)	**–**	(227)
Net balance	**–**	39
Amount of contract retention receivables as an asset under trade receivables (Note 21)	**–**	32

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	**16,208**	14,414	**8,997**	4,777
Less allowance for impairment	**(1,222)**	(366)	**(462)**	(97)
Subsidiaries (Note 3D)	**–**	–	**564**	3,361
Less allowance for impairment	**–**	–	**–**	(32)
Related parties (Note 3D)	**180**	388	**32**	304
Receivables from customer for construction contracts (Note 20)	**–**	266	**–**	–
Retention receivables for construction contracts (Note 20)	**–**	32	**–**	–
Trade receivables – subtotal	**15,166**	14,734	**9,131**	8,313
Other receivables:				
Subsidiaries (Note 3D) [(a)]	**–**	–	**5,159**	3,185
Less allowance for impairment	**–**	–	**(1,979)**	(301)
Related parties (Note 3D)	**303**	380	**303**	375
Less allowance for impairment	**(150)**	–	**(150)**	–
Tax recoverable	**–**	150	**–**	–
Outside parties	**1,394**	663	**794**	3
Less allowance for impairment	**(877)**	–	**(724)**	–
Other receivables – subtotal	**670**	1,193	**3,403**	3,262
Total trade and other receivables	**15,836**	15,927	**12,534**	11,575

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Movements in above allowance:				
Balance at beginning of the year	**366**	234	**430**	534
Net allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	**1,097**	144	**2,109**	(104)
Charged for disposed subsidiaries trade and other receivables to profit or loss included in other losses (Note 6 and 12A)	**1,017**	–	**776**	–
Disposal of subsidiaries	**(235)**			
Bad debts written off against allowance	**–**	(6)	**–**	–
Foreign exchange adjustments	**4**	(6)	**–**	–
Balance at end of the year	**2,249**	366	**3,315**	430

(a) The amount includes loans to subsidiaries totalling $3,726,000 as at 31 December 2015 (2014: $1,157,000), which are unsecured, with a tenure of 6 months and subject to automatic rollover, and carry an interest at 3.0% to 5.0% (2014: 3.0% to 5.0%) per annum payable upon repayment of the loans. The carrying amount is a reasonable approximation of fair value (Level 3). The amount was not past due.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Not restricted in use	**4,309**	2,749	**2,377**	1,072

The interest earning balances are not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

22. CASH AND CASH EQUIVALENTS (CONTINUED)

22A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2015	2014
	$'000	$'000
Amount as shown above	**4,309**	2,749
Bank overdrafts (Note 25A)	**–**	(968)
Cash and cash equivalents for statement of cash flows purposes at end of the year	**4,309**	1,781

22B. Non-cash transactions:

During the reporting year there were acquisitions of plant and equipment of $Nil (2014: $317,000) acquired by means of finance leases.

23. SHARE CAPITAL

	Group and Company			
	2015	2015	2014	2014
	Number of shares issued	Share capital	Number of shares issued	Share capital
	'000	$'000	'000	$'000
At 1 January and 31 December	**214,202**	**15,300**	214,202	15,300

The ordinary shares of no par value which are fully paid carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

23. SHARE CAPITAL (CONTINUED)

Capital management:

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity (that is, share capital and retained earnings).

	Group	
	2015	**2014**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including finance leases	**1,977**	7,841
Less: cash and cash equivalents	**(4,309)**	(2,749)
Net debt	**(2,332)**	5,092
Adjusted capital:		
Total equity	**18,952**	18,385
Adjusted capital	**18,952**	18,385
Debt-to-adjusted capital ratio	**N.M.**	27.70%

N.M. – The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

24. OTHER RESERVES

	Group	
	2015	**2014**
	$'000	**$'000**
Foreign currency translation reserve (Note 24A)	**237**	(35)
Statutory reserves (Note 24B)	**103**	82
Total at the end of the year	**340**	47

The movements in the reserves are disclosed in the statement of changes in equity.

24A. Foreign currency translation reserve

	Group	
	2015	**2014**
	$'000	**$'000**
Balance at beginning of the year	**(35)**	(64)
Exchange differences on translating foreign operations	**272**	29
Balance at end of the year	**237**	(35)

The currency translation reserve accumulates all foreign exchange differences on translating foreign operations.

24B. Statutory reserves

	Group	
	2015	**2014**
	$'000	**$'000**
Balance at beginning of the year	**82**	82
Transfer from retained earnings	**21**	–
Balance at end of the year	**103**	82

A subsidiary incorporated in People's Republic of China ("PRC") is required by the relevant Chinese regulations and the Articles of Association to appropriate, where applicable, certain percentage of profit after taxation (after offsetting all recognised tax losses carried forward from previous financial years) arrived at in accordance with the Company Law of PRC and Company's Articles of Association each year to statutory reserves. The appropriation to statutory reserves must be made before distribution of dividends to shareholders. Subject to certain restrictions, part of the reserve may be converted to increase share capital or be used to make up losses. These statutory reserves are not distributable in the form of cash dividends.

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Non-current:				
Financial instruments with fixed interest rates:				
Finance leases (Note 25C)	**145**	346	**145**	222
Total non-current portion	**145**	346	**145**	222
Current:				
Financial instruments with floating interest rates:				
Bank loans (Note 25B)	**648**	4,029	**–**	2,736
Trust receipts for purchase of inventories (Note 25A)	**1,107**	2,372	**1,107**	2,292
Financial instruments with fixed interest rates:				
Bank overdrafts (Note 25A)	**–**	968	**–**	–
Finance leases (Note 25C)	**77**	126	**77**	74
Total current portion	**1,832**	7,495	**1,184**	5,102
Total non-current and current	**1,977**	7,841	**1,329**	5,324
The non-current portion is repayable as follows:				
Due within two to five years	**145**	290	**145**	222
After five years	**–**	56	**–**	–
Total non-current portion	**145**	346	**145**	222

All the amounts are at floating interest rates except for finance leases that are on fixed interest rates (see Note 25C). The range of floating interest rates paid were as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	%	**%**	**%**	**%**
Bank loans	**2.27 to 8.00**	2.15 to 8.00	**2.27 to 3.24**	2.15 to 3.00
Bank overdrafts	**5.00**	5.00 to 8.80	**5.00**	5.00
Trust receipts for purchase of inventories	**2.14 to 3.15**	2.11 to 5.50	**2.14 to 3.15**	2.11 to 5.50

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below six months (2014: six months).

The floating rate debt instruments are with interest rates that are re-set regularly at short intervals.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. OTHER FINANCIAL LIABILITIES (CONTINUED)

25A. Bank overdraft and trust receipts for purchase of inventories

The trust receipts are covered by a first legal charge on certain inventories.

Certain bank overdrafts of a subsidiary as at 31 December 2014 were secured and covered by:

a. Corporate guarantees from the Company and certain directors of a subsidiary; and
b. First party charge on a subsidiary's office building.

25B. Bank loans

The bank loans as at 31 December 2015 are secured and covered by:

a. A negative pledge over the assets of the Company; and
b. Corporate guarantee from the Company.

The bank loans as at 31 December 2014 were secured and covered by:

a. A negative pledge over the assets of the Company;
b. Corporate guarantee from the Company;
c. Personal guarantee from certain directors of a subsidiary; and
d. First party charge on a subsidiary's office property.

The loan agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans or other credit facilities becoming repayable immediately upon service of a notice of default by the lenders.

As at the reporting year ended 31 December 2014, the Company breached certain covenants of the bank facility amounting to $1,330,000. On 9 March 2015, the Company obtained a written letter of waiver of breach from the bank.

As indicated in Note 28, the Company proposed a final dividend of 0.5 cents per share for the reporting year ended 31 December 2015. When approved, this would constitute a breach of certain covenants of the bank facility in relation to the restriction in the declaration of dividend for the facility amounting to $737,000. The matter is under negotiation with the lender.

Arising from these non-compliance of the covenant mentioned, the bank was contractually entitled to request for immediate repayment of the outstanding bank facility amount. As these bank facilities obtained were of short term in nature, this had been presented as current liabilities in accordance with FRS 1 Presentation of Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. OTHER FINANCIAL LIABILITIES (CONTINUED)

25C. Finance leases

Group

2015	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	**87**	**(10)**	**77**
Due within two to five years	**153**	**(8)**	**145**
Total	**240**	**(18)**	**222**

2014			
Minimum lease payments payable:			
Due within one year	148	(22)	126
Due within two to five years	375	(29)	346
Total	523	(51)	472

Company

2015	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	**87**	**(10)**	**77**
Due within two to five years	**153**	**(8)**	**145**
Total	**240**	**(18)**	**222**

2014			
Minimum lease payments payable:			
Due within one year	87	(13)	74
Due within two to five years	241	(19)	222
Total	328	(32)	296

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. OTHER FINANCIAL LIABILITIES (CONTINUED)

25C. Finance leases (Continued)

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $452,000 (2014: $770,000) and $452,000 (2014: $577,000) respectively at the end of the reporting year.

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is three to five years. For the reporting year ended 31 December 2015, the rate of interest for finance leases ranges from 2.3% to 3.5% (2014: 2.3% to 3.5%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the Company. The carrying amount of the lease liabilities is not significantly different from the fair value (Level 2).

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**9,978**	7,948	**5,213**	2,866
Related parties	**1,029**	1,679	**473**	831
Subsidiaries	**–**	–	**564**	781
Payable to customers for construction contracts (Note 20)	**–**	227	**–**	–
Trade payables – subtotal	**11,007**	9,854	**6,250**	4,478
Other payables:				
Outside parties	**902**	1,122	**125**	107
Director of a subsidiary (Note 3D)	**–**	28	**–**	–
Ultimate parent company (Note 3D)	**1,830**	–	**1,830**	–
Related parties (Note 3D)	**53**	53	**53**	53
Subsidiaries (Note 3D) [(a)]	**–**	–	**213**	494
Advances received from customers	**478**	1,118	**60**	467
Other payables – subtotal	**3,263**	2,321	**2,281**	1,121
Total trade and other payables	**14,270**	12,175	**8,531**	5,599

(a) Includes a loan from a subsidiary amounting to $Nil (2014: $189,000). The loan is unsecured, with a tenure of 6 months and subject to automatic rollover, and carries an interest at 5.0% (2014: 5.0%) per annum payable upon repayment of the loan.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

27A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Cash and cash equivalents	**4,309**	2,749	**2,377**	1,072
Loans and receivables	**15,836**	15,927	**12,534**	11,575
At end of the year	**20,145**	18,676	**14,911**	12,647
Financial liabilities:				
Other financial liabilities at amortised cost	**1,977**	7,841	**1,329**	5,324
Trade and other payables at amortised cost	**14,270**	12,175	**8,531**	5,599
At end of the year	**16,247**	20,016	**9,860**	10,923

Further quantitative disclosures are included throughout these financial statements.

27B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

27D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is: the total of the fair value of the financial instruments; the maximum amount of the entity could have to pay if the guarantee is called on; and a full amount of any loan payable commitment at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit. For credit risk on receivables an ongoing credit evaluation is performed of the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements.

Note 22 discloses the maturity of cash and cash equivalent balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 to 90 days (2014: 60 to 90 days), but some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
31 to 60 days	**1,103**	1,040	**450**	380
61 to 90 days	**2,248**	1,549	**704**	593
91 to 120 days	**762**	823	**426**	751
Over 120 days	**3,489**	3,769	**2,304**	4,438
Total	**7,602**	7,181	**3,884**	6,162

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27D. Credit risk on financial assets (Continued)

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
Over 120 days	**1,222**	366	**462**	129

The allowance which is disclosed in the note on trade receivables is based on individual accounts that are determined to be impaired at the end of reporting year. These are not secured.

Concentration of trade receivable customers as at the end of the reporting year:

– 35% (2014: 21%) of the Group's trade receivables were due from two major customers.
– 53% (2014: 59%) of the Company's trade receivables were due from two major customers.

Other receivables are normally with no fixed terms and therefore there is no maturity.

27E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than one year $'000	One to five years $'000	Total $'000
Non-derivative financial liabilities:			
2015:			
Other financial liabilities	**1,842**	**153**	**1,995**
Trade and other payables	**14,270**	**–**	**14,270**
At end of the year	**16,112**	**153**	**16,265**
2014:			
Other financial liabilities	7,517	375	7,892
Trade and other payables	12,175	–	12,175
At end of the year	19,692	375	20,067

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27E. Liquidity risk – financial liabilities maturity analysis (Continued)

Company	Less than one year $'000	One to five years $'000	Total $'000
Non-derivative financial liabilities:			
2015:			
Other financial liabilities	**1,194**	**153**	**1,347**
Trade and other payables	**8,531**	**–**	**8,531**
At end of the year	**9,725**	**153**	**9,878**
2014:			
Other financial liabilities	5,115	241	5,356
Trade and other payables	5,599	–	5,599
At end of the year	10,714	241	10,955

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The maturity of the financial guarantees are less than one year (see Note 29).

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2014: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

27F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rate and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial liabilities with interest:				
Fixed rate	**222**	472	**222**	296
Floating rate	**1,755**	7,369	**1,107**	5,028
Total at end of the year	**1,977**	7,841	**1,329**	5,324

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Malaysian Ringgit $'000	Japanese Yen $'000	Total $'000
Group						
2015:						
Financial assets:						
Cash	**219**	**295**	**293**	**4**	**–**	**811**
Receivables	**99**	**847**	**44**	**–**	**–**	**990**
Total financial assets	**318**	**1,142**	**337**	**4**	**–**	**1,801**
Financial liabilities:						
Borrowings	**1,106**	**–**	**–**	**–**	**–**	**1,106**
Payables	**1,195**	**1,196**	**809**	**27**	**–**	**3,227**
Total financial liabilities	**2,301**	**1,196**	**809**	**27**	**–**	**4,333**
Net financial (liabilities) assets at end of the year	**(1,983)**	**(54)**	**(472)**	**(23)**	**–**	**(2,532)**
Group						
2014:						
Financial assets:						
Cash	466	590	465	1	3	1,525
Receivables	856	401	199	–	–	1,456
Total financial assets	1,322	991	664	1	3	2,981
Financial liabilities:						
Borrowings	901	–	–	–	–	901
Payables	1,840	1,291	734	–	49	3,914
Total financial liabilities	2,741	1,291	734	–	49	4,815
Net financial (liabilities) assets at end of the year	(1,419)	(300)	(70)	1	(46)	(1,834)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27G. Foreign currency risks (Continued)

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Australian Dollar $'000	Malaysian Ringgit $'000	Japanese Yen $'000	Indonesian Rupiah $'000	Total $'000
Company								
2015:								
Financial assets:								
Cash	**66**	**285**	**155**	**–**	**4**	**–**	**–**	**510**
Receivables	**172**	**1,058**	**2,159**	**465**	**8**	**–**	**–**	**3,862**
Total financial assets	**238**	**1,343**	**2,314**	**465**	**12**	**–**	**–**	**4,372**
Financial liabilities:								
Borrowings	**1,106**	**–**	**–**	**–**	**–**	**–**	**–**	**1,106**
Payables	**1,243**	**1,184**	**707**	**–**	**26**	**–**	**–**	**3,160**
Total financial liabilities	**2,349**	**1,184**	**707**	**–**	**26**	**–**	**–**	**4,266**
Net financial asset (liabilities) at end of the year	**(2,111)**	**159**	**1,607**	**465**	**(14)**	**–**	**–**	**106**
Company								
2014:								
Financial assets:								
Cash	108	581	269	–	1	3	–	962
Receivables	769	616	3,807	527	288	–	–	6,007
Total financial assets	877	1,197	4,076	527	289	3	–	6,969
Financial liabilities:								
Borrowings	822	–	–	–	–	–	–	822
Payables	1,611	608	480	–	30	49	2	2,780
Total financial liabilities	2,433	608	480	–	30	49	2	3,602
Net financial asset (liabilities) at end of the year	(1,556)	589	3,596	527	259	(46)	(2)	3,367

There is exposure to foreign currency risk as part of its normal business.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27G. Foreign currency risks (Continued)

Sensitivity analysis:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the following currencies with all other variables held constant would have a favourable/(adverse) effect on pre-tax profit of:				
– Australian Dollar	**–**	–	**(46)**	(53)
– Euro	**47**	7	**(161)**	(360)
– Japanese Yen	**–**	5	**–**	5
– Malaysian Ringgit	**2**	–	**1**	(26)
– Sterling Pound	**5**	30	**(16)**	(59)
– US Dollars	**198**	142	**211**	156

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction on the profit or loss.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

28. DIVIDENDS ON EQUITY SHARES

	Rate per share – cents		Group and Company	
	2015	2014	2015	2014
			$'000	$'000
Final tax exempt (one-tier) dividend proposed	**0.5**	–	**1,071**	–

In respect of the current reporting year, the directors propose that a final dividend of 0.5 cents per share with a total of $1,071,000 be paid to shareholders after the annual general meeting on 29 April 2016. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to shareholders.

29. CONTINGENT LIABILITIES

	Company	
	2015	2014
	$'000	$'000
Undertaking to support subsidiaries with deficits	**1,851**	915
Bank guarantee in favour of subsidiaries (Note 3)	**1,216**	4,387
Bank guarantee in favour of investments	**740**	–

The Company has undertaken to provide continued financial support to certain of its subsidiaries which had net capital deficit at the end of the reporting year.

30. COMMITMENTS AND RELATED MATTERS

Arising from the land use rights ("LURs") acquired (Note 16), 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.

In March 2013, the Group obtained an extension from local authorities for the development on the land to be undertaken between 31 March 2013 and 1 April 2014. In March 2014, a further extension was obtained in March 2014 for development on the land to be undertaken between 1 June 2014 and 30 June 2015. In the event that the Group is not able to complete development within the stipulated period, by 30 June 2015, approval for extension must be sought from the authorities six months in advance.

The original terms of the agreement stipulated that, in the event if there is any delay in the commencement of the development, approval for extension must be sought from the authorities 30 days in advance. Failure to do so would result in a penalty of 0.015% of the total purchase consideration per month.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

30. COMMITMENTS AND RELATED MATTERS (CONTINUED)

The Group is currently in the process of exploring the possibility of withdrawing from the LUR agreement and to obtain a refund on the amount paid through the transfer of the LURs to a third party approved by the relevant authority. As at the date of these financial statements, the Group has yet to commence development on the land and management have not applied for a further extension for development since 30 June 2015. Accordingly, the potential penalty of 0.015% on the consideration per day imposed per the terms of the original agreement amounting to $78,000 for the reporting year ended 31 December 2015.

There is uncertainty over the success of withdrawal from the LUR agreement. In the event that the land is left idle for more than 2 years, the potential amount at risk to the Group arising from the confiscation of the land would be the remaining carrying amount of the land amounting to $1,471,000 as at 31 December 2015 (see Note 16).

31. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**101**	338	**–**	247
Later than one year and not later than five years	**–**	976	**–**	953
Later than five years	**–**	2,463	**–**	2,463
	101	3,777	**–**	3,663
Rental expense for the year	**751**	670	**326**	262

Operating lease payments represent rentals payable by the Group and Company for certain of its owned leasehold properties. The lease rental terms are negotiated for term of 6 months to 3 years (2014: 1 to 24 years) and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At end of the reporting year, the total of future minimum lease income commitments under non-cancellable operating lease are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Not later than one year	–	43	–	43
Rental income for the year	**75**	94	**75**	94

Operating lease income represents rentals receivables by the Group and Company for certain of its owned leasehold properties. The lease rental terms are negotiated for term of one year (2014: one year).

33. EVENTS AFTER THE END OF THE REPORTING YEAR

De-registration of subsidiary

On 9 March 2016, the Company announced the de-registration of Pan Asian (Tianjin) Industrial and Trading Co., Ltd, incorporated in the People's Republic of China, from the Register of Companies.

34. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in January 2014). Relating to
	FRS 108 Operating Segments
	FRS 113 Fair Value Measurement
	FRS 24 Related Party Disclosures
	FRS 38 Intangible Assets
Various	Improvements to FRSs (Issued in February 2014). Relating to
	FRS 113 Fair Value Measurement

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 110 and 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
Various	Improvements to FRSs (Issued in November 2014)	1 Jan 2016
	FRS 105 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal	
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 109	Financial Instruments	1 Jan 2018

STATISTIC OF SHAREHOLDINGS

As at 17 March 2016

NUMBER OF SHARES	:	214,202,036
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE FOR EACH ORDINARY SHARE
TREASURY SHARES	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	9	0.81	42	0.00
100 – 1,000	365	32.88	363,124	0.17
1001 – 10,000	429	38.65	2,151,532	1.01
10,001 – 1,000,000	294	26.49	26,587,900	12.41
1,000,001 & ABOVE	13	1.17	185,099,438	86.41
TOTAL	1,110	100.00	214,202,036	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2016

NO.	NAME OF SHAREHOLDINGS	NO. OF SHARES	%
1	XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
2	TAN KIM TEE	3,001,000	1.40
3	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	2,370,000	1.11
4	AW SOON KUAN	2,192,400	1.02
5	GOH BOON KOK	2,150,000	1.00
6	KOH CHIN HWA	1,590,000	0.74
7	LEE BERNARD	1,530,100	0.71
8	DBS NOMINEES PTE LTD	1,522,938	0.71
9	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,252,000	0.58
10	RAFFLES NOMINEES (PTE) LTD	1,232,500	0.58
11	TAN WIC KI	1,077,000	0.50
12	KOH AH LECK	1,038,000	0.48
13	KOH HOO KWEE	1,006,000	0.47
14	CHIU KIM WAH (ZHAO JINHUA)	1,000,000	0.47
15	KOH GUAT YING BETTY	999,000	0.47
16	ONG HOCK HAI	903,000	0.42
17	HSBC (SINGAPORE) NOMINEES PTE LTD	870,000	0.41
18	ZHANG YANG	847,000	0.40
19	TAN THIAN TIN	781,000	0.36
20	YAP CHING SEOW	615,000	0.29
TOTAL		191,114,438	89.21

STATISTIC OF SHAREHOLDINGS

As at 17 March 2016

SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2016
as recorded in the Register of Substantial Shareholders

	NO. OF SHARES			
NAME OF SHAREHOLDINGS	DIRECT INTEREST	%	DEEMED INTEREST	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09	–	–
RICHARD KOH CHYE HENG (1)	–	–	165,137,500	77.09%
KOH EDDIE (2)	–	–	165,137,500	77.09%
INDRIATI KHOE (3)	–	–	165,137,500	77.09%

(1) Mr Richard Koh Chye Heng is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd. Mr Richard Chye Heng is holding 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's Constitution, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

(2) Mr Koh Eddie is deemed to have an interest in the shares held by Xu Jia Zu Holdings Pte Ltd by virtue of his holding more than 20% of the total issued shares in Xu Jia Zu Holdings Pte Ltd.

(3) Ms Indriati Khoe is deemed to have an interest in the shares held by her spouse, Mr Koh Eddie in Xu Jia Zu Holdings Pte Ltd.

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 17 March 2016, approximately 21.90% of the issued ordinary shares of the Company are held by the public. Rule 723 of the Listing Manual Section B. Rules of the Catalist issued by SGX-ST has therefore been complied with.

APPENDIX

14 April 2016

IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS HEREIN OR AS TO ANY ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BROKER, BANK MANAGER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Appendix is circulated to the Shareholders of Pan Asian Holdings Limited (the "Company") together with the Company's annual report for the financial year ended 31 December 2015 in respect of the proposed renewal of the Shareholders' Mandate (as defined in the Appendix) to be tabled at the Annual General Meeting of the Company to be held on 29 April 2016 at 9.00 a.m. at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095.

The ordinary resolution proposed to be passed in respect of the above matter is set out in the notice of AGM and proxy form which are enclosed with the 2015 annual report.

If you have sold or transferred all your shares in the capital of the Company, represented by physical share certificate, you should immediately forward this Appendix, together with the notice of AGM and proxy form which are enclosed with the 2015 Annual Report, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for onward transmission to the purchaser or the transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST. The Sponsor and SGX-ST assume no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #11-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

PAN ASIAN HOLDINGS LIMITED

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

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSONS TRANSACTIONS

APPENDIX

In this appendix ("Appendix"), the following definitions apply throughout unless otherwise stated:

Companies within our Group

"Company"	:	Pan Asian Holdings Limited
"Group"	:	Pan Asian Holdings Limited and its subsidiaries
"Duvalco BV"	:	Duvalco B.V., a wholly-owned subsidiary of Duvalco Valves
"Duvalco Tianjin"	:	DWK Valves (Tianjin) Co. Ltd, a 60% owned subsidiary of Duvalco Valves
"Duvalco Valves"	:	Duvalco Valves & Fittings Pte. Ltd., a wholly-owned subsidiary company of the Company

Other Companies, Corporations or Organisations

"CDP"	:	The Central Depository (Pte) Limited
"Duvalco International" or "Licensor"	:	Duvalco International Pte. Ltd. (formerly known as Richards Valves Pte. Ltd.)
"Duvalco Wuxi"	:	Duvalco Valves (Wuxi) Co., Ltd (formerly known as Sinzhong Valves (Wuxi) Co., Ltd.
"SGX-ST" or "Stock Exchange"	:	Singapore Exchange Securities Trading Limited
"XJZ"	:	Xu Jia Zu Holdings Pte. Ltd.

General

"Act" or "Companies Act"	:	Companies Act (Chapter 50) of Singapore
"AGM"	:	Annual General Meeting
"Associate"	:	Shall have the meaning ascribed to the term in the Catalist Rules
"Associated Company"	:	An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group
"Audit Committee"	:	The audit committee of the Company

APPENDIX

"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix, unless otherwise stated
"Catalist Rules"	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, varied or supplemented from time to time
"CEO"	:	Chief Executive Officer
"Chargeable Consideration"	:	The total sales value of the Duvalco Products sold by the Group to third party customers
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares or the voting shares in a company, as the case may be, or in fact exercises control over our Company or a company, as the case may be
"Director"	:	A director of the Company for the time being
"Duvalco IP Rights"	:	All intellectual and/or industrial property rights of whatever nature and kind anywhere in the world, whether registrable or otherwise, in relation to the Duvalco Trademark and the Duvalco Products including without limitation rights to the Duvalco Trademark, all rights related to the Duvalco Products, confidential information regarding materials and specifications, patent rights, copyright, design rights, trade names, trademarks, service marks and other rights under general law associated therewith
"Duvalco Products"	:	Water and sanitary valves, fittings and ancillary products bearing the Duvalco Trademark which is owned by the Licensor
"Duvalco Trademark"	:	The "Duvalco" name, brand, marks and any other symbols or logos identified as Duvalco marks by the Licensor from time to time
"FY"	:	Financial year ended or, as the case may be, ending 31 December
"Independent Directors"	:	The non-executive independent Directors of our Company, as at the date of this Appendix, unless otherwise stated
"Interested Person"	:	An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Has the meaning ascribed thereto under Chapter 9 of the Catalist Rules

APPENDIX

"Licence Agreement"	:	The licence agreement between the Company and the Licensor pertaining to the grant of licence to use the Duvalco IP Rights and the payment of the Royalty thereunder
"Mandated Products"	:	The purchase of valves, wind-powered pump systems, accessories and other products from Duvalco Wuxi
"Royalty"	:	The licence fees payable by the Company to the Licensor pursuant to the terms and conditions of the Licence Agreement
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include securities sub-account maintained with a Depository Agent
"Shareholders"	:	Registered holders of Shares except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, means the persons to whose securities accounts maintained with CDP are credited with Shares
"Shareholders' Mandate"	:	The general mandate approved by Shareholders for the Group to enter into certain transactions with Duvalco Wuxi, being interested person transactions, in compliance with Chapter 9 of the Catalist Rules
"Shares"	:	Ordinary shares in the capital of the Company
"Substantial Shareholder"	:	A person who holds directly or indirectly 5% or more of the total issued share capital in our Company or in a company, as the case may be
"$" or "S$" and "cents"	:	Singapore dollars and cents, respectively
"%"	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively by Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Appendix shall have the same meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

APPENDIX

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate ("Shareholders' Mandate") that will enable the Group to enter into transactions with the Interested Persons in compliance with Chapter 9 of the Listing Manual.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies propose to enter into with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such directors, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's "interested persons".

Pursuant to Chapter 9 of the Listing Manual, the general mandate was renewed at the Annual General Meeting held 29 April 2015 to take effect until the date of the forthcoming Annual General Meeting to be held on 29 April 2016. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the Annual General Meeting to be held on 29 April 2016, to take effect until the next annual general meeting of the Company.

2. THE RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1. Classes of Interested Persons

The Shareholders' Mandate will apply to Interested Person Transactions carried out with Duvalco International, and Duvalco Wuxi and their Associates (collectively the "Interested Persons" and each an "Interested Person").

Transactions with the Interested Persons which do not fall within the ambit of the proposed Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.2 Categories of Interested Person Transactions

The Interested Person Transactions to be covered by the Shareholders' Mandate are as follows:–

a. Payment of royalty to Duvalco International;

b. Purchase of valves, wind-powered pump systems, accessories and other products from Duvalco Wuxi; and

c. Supply of raw materials to Duvalco Wuxi.

APPENDIX

2.3 Rationale for and Benefits of the Shareholders' Mandate

The transactions with Interested Persons are entered into or are to be entered into by our Group in its ordinary course of business. They are recurring transactions which are likely to occur with some degree of frequency and arise at any time and from time to time. The Directors are of the view that it will be beneficial to our Group to be able to transact or continue to transact with the Interested Persons. It is in the interest of our Group to have maximum access to potential suppliers of valves and related accessories in order to procure the relevant valves and accessories which best meet the needs of our customers, having regard to, amongst others, the quality, response time, reliability of supply and pricing. It is intended that the Interested Persons Transactions shall continue in the future as long as they are in the interest of our Group and are not prejudicial to our minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by our Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Interested Persons Transactions, provided that they are carried out on normal commercial terms and are not prejudicial to our Company and our minority Shareholders.

Disclosure will be made in the annual report of the aggregate value of Interested Person Transactions conducted pursuant to the Shareholders' Mandate during the current financial year, and in the annual reports for the subsequent financial years during which the Shareholders' Mandate is renewed and in force.

2.4 Review Procedures for Interested Person Transactions

To ensure that the transactions with the Interested Persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties, our Group shall implement the following procedures:

The following guidelines will be followed to assess whether the Interested Person Transactions with Duvalco Wuxi are carried out at arms' length and on normal commercial terms:

a) Payment of royalty to Duvalco International

To ensure that the payment of the Royalty to the Licensor is effected in accordance with the terms of the Licence Agreement, the payments will be properly documented and subject to the periodic review of the Audit Committee and/or the Independent Directors. In conducting the review, the Audit Committee will examine all information pertinent to the evaluation of the amounts paid or payable to the Licensor, including but not limited to the Group's relevant revenue records and monthly reports of Chargeable Consideration in respect of the Duvalco Products. Any member of the Audit Committee who is deemed interested in any such interested person transactions, shall abstain from reviewing, recommending and/or approving the payments.

APPENDIX

b) Supply of raw materials to Duvalco Wuxi

As the raw materials supplied to Duvalco Wuxi will be used to manufacture products to be sold to the Group, the price at which such raw materials will be sold by the Group to Duvalco Wuxi shall be based on a fixed 3% mark-up (the "Mark-Up") on the price at which the Group purchased the raw materials from third party suppliers ("Cost").

c) Purchase of Mandated Products from Duvalco Wuxi

The price at which the Mandated Products are to be purchased by the Group from Duvalco Wuxi shall be the price comprising the Cost and Mark-Up, the operating costs of Duvalco Wuxi and the rental for the factory premises where the products are manufactured. In this regard:

Operating costs

Duvalco Wuxi will provide to the Group, on a monthly basis, supporting documentary evidence to show the operating costs of Duvalco Wuxi. Such operating costs shall include utility charges, manpower costs, direct overheads and administrative expenses. The Group's finance department shall review and verify the operating costs on a monthly basis and present them to the Audit Committee for review on a half-yearly basis.

For the avoidance of doubt, the direct overheads will comprise mainly direct labour costs and will not include property depreciation or rental-related costs.

In addition, on a half-yearly basis, the Group's Finance Department shall obtain quotations or market prices from at least two other unrelated third party manufacturers (where possible or available) in respect of the supply of substantially similar types of products, and submit the same to the Audit Committee for its review to ensure that the prices charged by Duvalco Wuxi shall not be less favourable than the most competitive prices offered by unrelated third party manufacturers.

In the event that a member of the Audit Committee is interested in the transactions with Duvalco Wuxi, he will abstain from participating in the aforesaid reviews.

Rental

The rental for the factory premises, which is owned by Duvalco Wuxi, shall be fixed at RMB1.2 million per year for a period of three years, which commensurate with the prevailing market rates, based on a valuation report by an independent valuer. After the initial period of three years, in order to determine the rental for the factory premises, the Company shall adopt measures such as making relevant inquiries with landlords of similar properties and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). Such information shall be submitted to the Audit Committee for its review and any revised rental rate shall be subject to the approval of the Audit Committee.

In the event that a member of the Audit Committee is interested in the transactions with Duvalco Wuxi, he will abstain from participating in the aforesaid review and approval.

APPENDIX

2.5 General administration procedures for all Interested Person Transactions

The Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions:–

i. The Group Financial Controller will maintain a list of the Group's Directors, Substantial Shareholders and Controlling Shareholder and their respective Associates (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed at least on a semi-annual basis;

ii. The Group Financial Controller will also obtain signed letters of confirmation from key management personnel, the Directors, Substantial Shareholders and Controlling Shareholder of the Group and on a semi-annual basis as to their interests as well as their Associates' interests in any transaction with our Group;

iii. The Group Financial Controller will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into) (the "Interested Person Transactions Register");

iv. The Audit Committee will review the letters of confirmation from key management personnel, Substantial Shareholders and the Directors of our Group, and all interested person transactions at least on a semi-annual basis and the outcome of such review shall be documented and filed in the Interested Person Transactions Register; and

v. The Board would also be responsible for obtaining Shareholders' approval for recurring interested persons transactions which are carried out in the normal course of business.

In addition, our Audit Committee will include the review of Interested Person Transactions as part of its standard procedures while examining the adequacy of its internal controls. Our Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

Our Audit Committee shall review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between our Group and our Interested Persons are conducted on normal commercial terms. Further, if during these periodic reviews by our Audit Committee, our Audit Committee is of the view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that Interested Person Transactions will be on normal commercial terms which will not be prejudicial to our Company and our minority Shareholders, our Company will (pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

APPENDIX

2.6 Review procedures for future Interested Person Transactions other than those covered by Shareholders' Mandate

Our Audit Committee will review and approve all interested person transactions as defined by the Listing Manual which are not covered by the Shareholders' Mandate to ensure that such transactions are on normal commercial terms and arms' length basis, that is, the transactions are transacted on terms and prices not more favourable to the interested persons than if they were transacted with a third party and are not prejudicial to the interests of our Shareholders in any way.

During its periodic review or such other review deemed necessary by it, our Audit Committee will carry out a review of records of all such interested person transactions to ensure that they are carried out in accordance with the following internal control procedures:–

i. Interested person transactions above $100,000 are to be approved by a Director who shall not be an interested person in respect of the particular transaction. Interested person transactions below $100,000 do not require such approval. Any sale or purchase contracts to be made with an interested person shall not be approved unless the pricing is:–

   a) determined in accordance with our usual business practices and policies;

   b) consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties; and

   c) the terms are no more favourable to the interested person than those extended to or received from unrelated parties.

   For the purposes above, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties, if any, will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties.

ii. In addition, we shall monitor interested person transactions entered into by us and categorise these transactions as follows:–

   a) a Category 1 interested person transaction is one where the value thereof is in excess of 3% of the NTA of our Group; and

   b) a Category 2 interested person transaction is one where the value thereof is below or equal to 3% of the NTA of our Group.

Category 1 interested person transactions must be approved by our Audit Committee prior to entry whereas Category 2 interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a semi-annual basis by our Audit Committee.

We will prepare relevant information to assist our Audit Committee in its review.

APPENDIX

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any of the interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

Our Audit Committee will also review all interested person transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with.

We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future interested person transactions, and if required under the Listing Manual or the Act, we will seek our Shareholders' approval (where necessary) for such transactions.

Our Audit Committee is of the view that the review procedures and systematic monitoring mechanism of all interested person transactions as mentioned above are adequate in ensuring that such transactions will be on normal commercial terms and will not be prejudicial to the interests of our Shareholders in any way.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of the Directors' and Substantial Shareholders' interests in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Koh Eddie[1]	–	–	165,137,500	77.1
Richard Koh Chye Heng[2]	–	–	165,137,500	77.1
Indriati Khoe[3]	–	–	165,137,500	77.1
Xu Jia Zu Holdings Pte. Ltd.	165,137,500	77.1	–	–

1. Mr Koh Eddie holds 50% interest in Xu Jia Zu Holdings Pte Ltd.

2. Mr Richard Koh Chye Heng holds 50% and 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's Constitution, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

3. Ms Indriati Khoe is deemed to have an interest held by her spouse Mr Koh Eddie in Xu Jia Zu Holdings Pte Ltd.

APPENDIX

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee confirms that:

a. the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the AGM held on 29 April 2015; and

b. the methods or procedures referred to as per above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders

If during the periodic reviews by the Audit Committee, it is of the view that the established review procedures are no longer appropriate or adequate to ensure that the transactions with Interested Persons will be transacted on normal commercial terms and on terms or conditions that would not be prejudicial to the interests of the Company and minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures.

5. DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors believe that the renewal of the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the Interested Person Transaction Resolution as set out in the Notice of AGM enclosed in the Annual Return.

6. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

By virtue of its interest in the renewal of the Shareholders' Mandate of the Interested Party Transactions, the following persons:

(i) Mr Koh Eddie;

(ii) Mr Richard Koh Chye Heng;

(iii) Ms Indriati Khoe; and

(iv) Xu Jia Zu Holdings Pte. Ltd.

collectively as (the "Relevant Persons")

holding collectively deemed and direct interests of 77.1% in the share capital of the Company, will abstain and has undertaken to ensure that its associates will abstain from voting on the ordinary resolution relating to the proposed renewal of the Mandate of the Interested Party Transactions at the forthcoming AGM.

Further, the Relevant Persons undertakes to decline to accept appointment as proxies to vote and attend at the forthcoming AGM in respect of the ordinary resolution relating to the Shareholders' Mandate of the Interested Party Transactions for other Shareholders of the Company unless the Shareholder concerned shall have given specific instructions as to the manner in which his/her/their votes are to be cast.

APPENDIX

7. ANNUAL GENERAL MEETING

Your approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM.

The resolution relating to the renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 9.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 2 Kallang Ave #05-19 CT Hub, Singapore 339407 not later than 48 hours before the time set for the Annual General Meeting.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed transaction and the Shareholders' Mandate contemplated in this Appendix, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Friday, 29 April 2016 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Report of the Company for the financial year ended 31 December 2015 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 0.50 Singapore cent per ordinary share for the financial year ended 31 December 2015. **(Resolution 2)**

3. To re-elect Mr Koh Eddie, who is retiring pursuant to Article 107 of the Constitution. **(Resolution 3)**

4. To re-elect Ms Indriati Khoe, who is retiring pursuant to Article 107 of the Constitution. **(Resolution 4)**

   Ms Indriati Khoe will, upon re-election as Director of the Company, remain as member of the Audit Committee, Nominating Committee and Remuneration Committee. She is considered a Non-Executive and Non-Independent Director.

5. To re-appoint Mr Goh Boon Kok, who will retire pursuant to Section 153(6) of the Companies Act, Cap. 50 which was in force immediately before 3 January 2016. **(Resolution 5)**

   Mr Goh Boon Kok will, upon re-appointment as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Mr Goh does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code). The detailed information of Mr Goh can be found under the section entitled Board of Directors in page 9 of the Annual Report.

6. To approve Directors' fees of S$137,000 for the financial year ending 31 December 2016 to be paid half yearly in arrears (2015: S$131,000). **(Resolution 6)**

7. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:

8. **Authority to allot and issue shares and convertible securities** **(Resolution 8)**

(a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Catalist Rules, authority be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares excluding treasury shares of the Company. Unless prior shareholder approval is required under the Catalist Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

For the purpose of this resolution, the total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

NOTICE OF ANNUAL GENERAL MEETING

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 1)

9. **Renewal of Shareholders' Mandate for Interested Person Transactions** **(Resolution 9)**

That approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules for the Company, its subsidiaries and target associated companies (if any) or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to the Annual Report to shareholders dated 14 April 2016 (the "Appendix") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures for Interested Person Transactions as set out in the Appendix and that such approval (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate.

(See Explanatory Note 2)

10. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Low Mei Wan
Lin Moi Heyang
Company Secretaries

14 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Resolution 8, if passed, will empower the Directors, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue new shares and/or convertible securities in the Company including a rights or bonus issue without seeking further approval from shareholders in general meeting for such purposes as the Directors consider would be in the best interests of the Company. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.

2. Resolution 9 is to renew the Shareholders' Mandate for transactions with interested persons and if passed, will empower the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" as defined in Chapter 9 of the Catalist Rules.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50. Relevant intermediary means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) a person holding a capital market services licence holder which provides custodial services for securities under the Securities and Future Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

2. A proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407 not later than 48 hours before the time for holding of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE DATE AND PAYMENT DATE FOR FINAL DIVIDEND

Subject to the approval of the shareholders for the final dividend being obtained at the Annual General Meeting, the Register of Members and the Share Transfer Books of the Company will be closed on 18 May 2016 (Wednesday) from 5.00 p.m. to determine shareholders' entitlements to the proposed final dividend.

Duly completed transfers of shares received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 Singapore 048544, up to 5.00 p.m. on 18 May 2016 will be registered to determine shareholders' entitlements to the proposed final dividend.

The proposed final dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 26 May 2016 (Thursday).

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PAN ASIAN HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197902790N)

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Pan Asian Holdings Limited, the Annual Report 2015 is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM

*I/We ____ (Name)

of ____ (Address)

being a member/members of Pan Asian Holdings Limited (the "Company"), hereby appoint

	Name	Address	NRIC/ Passport No.	Proportion of shareholdings (%)
(a)				

and/or (delete as appropriate)

(b)				

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Friday, 29 April 2016 at 9.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the Meeting as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they may on any other matter arising at the Meeting).

No.	Ordinary Resolutions	For	Against
1.	Adoption of Director's Report and Audited Financial Statements for the financial year ended 31 December 2015		
2.	Approval of final tax-exempt (one-tier) dividend of 0.50 Singapore cent per ordinary share for the financial year ended 31 December 2015		
3.	Re-election of Mr Koh Eddie as Director		
4.	Re-election of Ms Indriati Khoe as Director		
5.	Re-appointment of Mr Goh Boon Kok as Director		
6.	Approval of Directors' Fees of $137,000 for the financial year ending 31 December 2016		
7.	Re-appointment of RSM Chio Lim LLP as Auditors		
8.	Approval for Directors to issue shares and convertible securities		
9.	Renewal of shareholders' mandate for transactions with interested persons of the Company		

If you wish to exercise all your votes "For" or "Against", please indicate with a "x' within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ____________________ 2016

Total no. of shares in:	No. of shares
a) CDP Register	
b) Register of Members	

____
Signature(s) of individual Shareholder/
Common Seal of Corporate Shareholders

IMPORTANT
Please read notes overleaf

Notes:

1. (a) A member of the company entitled to attend and vote at the meeting, and who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting in his/her stead.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50. Relevant intermediary means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a person holding a capital market services licence holder which provides custodial services for securities under the Securities and Future Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.

3. The instrument appointing a proxy [together with the power of attorney (if any) under which it is signed, or a certified copy thereof], must be deposited at the Company's registered office at 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407 not less than 48 hours before the time fixed for holding the Annual General Meeting.

4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number of Shares is inserted, this proxy form will be deemed to relate to all the Shares held by you.

5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register 72 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.