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

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PAN ASIAN HOLDINGS LIMITED ANNUAL REPORT 2016

PAN ASIAN HOLDINGS LIMITED
百益胜控股有限公司

DELIVERING SUSTAINABLE GROWTH

ANNUAL REPORT **2016**

TABLE OF 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 providing 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.

The Central Reclamation Area – ductile iron pipes and fittings

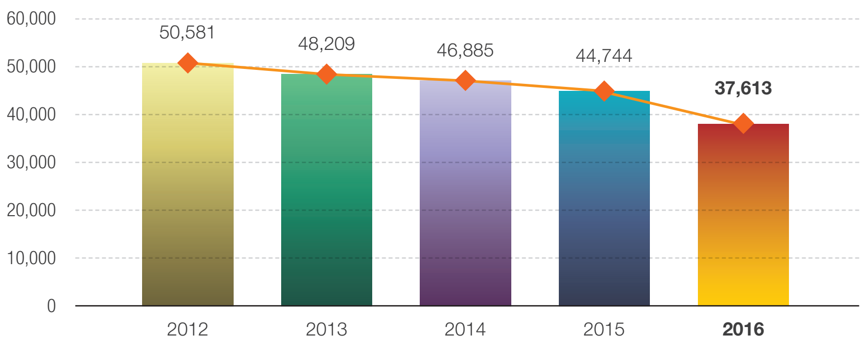
OUR VISION

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

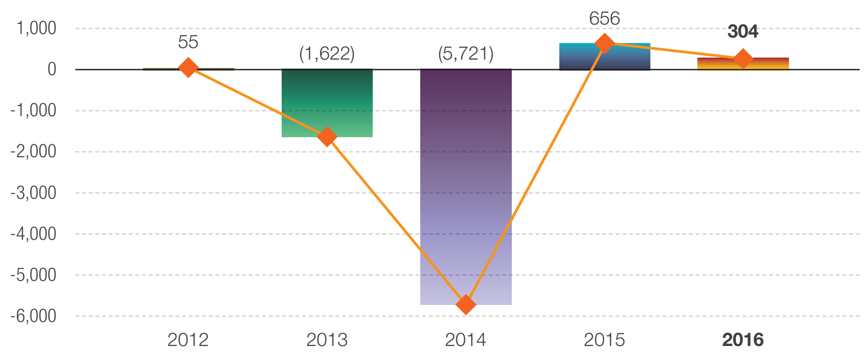
Changi Water Reclamation Plant – pipe, valve and accessories supply

FINANCIAL HIGHLIGHTS

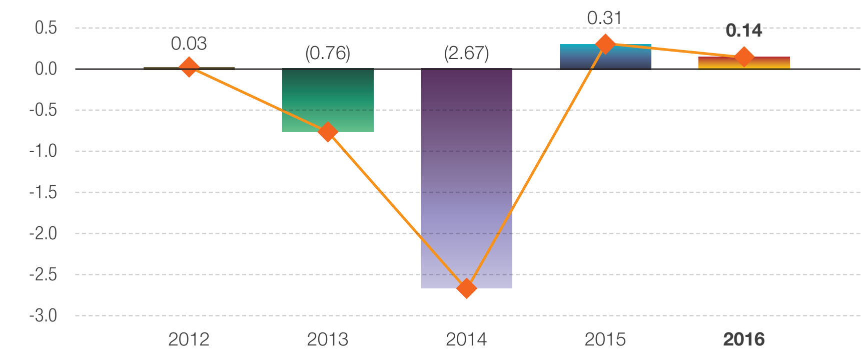
REVENUE (S$'000)



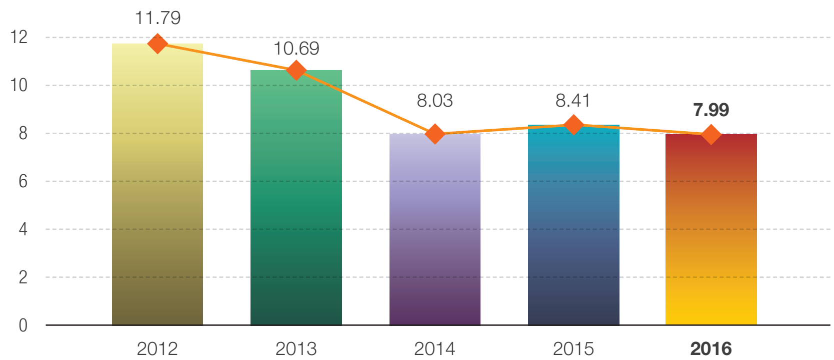
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$'000)



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.

JURONG WATER RECLAMATION PLANT – bolted steel tank

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 2016 ("FY2016").

YEAR IN REVIEW

FY2016 had been another eventful year for PAHL.

As part of our efforts to focus on our key businesses in order to improve the Group's performance, we have continuously reviewed our key operations to ensure that we are well poised to take on the future challenges ahead. This has resulted in the continuation of the divestment/striking-off/liquidation of several underperforming entities.

During the year, we have also started the transformation of PAHL into an investment holding company by transferring the operations as well as the relevant technical and operational staff to our subsidiary, Pan Asian Flow Technology Pte. Ltd..

Overall, the Group delivered a healthy set of full-year results for FY2016. Revenue and net profit were $37.6 million and $0.3 million respectively, albeit a dip from FY2015. As a consequence of which, the Group registered an earnings per share of 0.14 Singapore cents for FY2016, compared to an earnings per share of 0.31 Singapore cents for FY2015, with its net asset value per share being reduced from 8.41 Singapore cents as at 31 December 2015 to 7.99 Singapore cents as at 31 December 2016.

GROWTH STRATEGY

As the uncertainty in the world economic situation continues to persist, we expect the year ahead to continue to be challenging.

In view of this, the Group's management and sales team have spent substantial time in exploring and developing new markets, as well as venturing into the sales of new industrial equipments.

Ng Teng Fong General Hospital – valve

Nonetheless, similar to FY2015, we continue to see the potential in Asia. The Public Utilities Board ("PUB") of Singapore has announced that over the next 15 years, they will build new plants, upgrade existing ones and expand the water distribution and used water collection networks. They are also expecting to increase 200km of pipelines and 400km of sewers by 2030.

Additionally, the Group aims to spend more resources and efforts to develop the Duvalco range of products, in order for the Duvalco entities to contribute positively to our Group's bottomline in the years ahead.

As at end January 2017, our order book stands at $15.1 million.

The Group will also continuously take steps to closely monitor the operating costs so as to improve the bottom line.

To conclude, the Group believes that it has put in place vital strategies and corporate action plans that will best enhance shareholders' value.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENTS

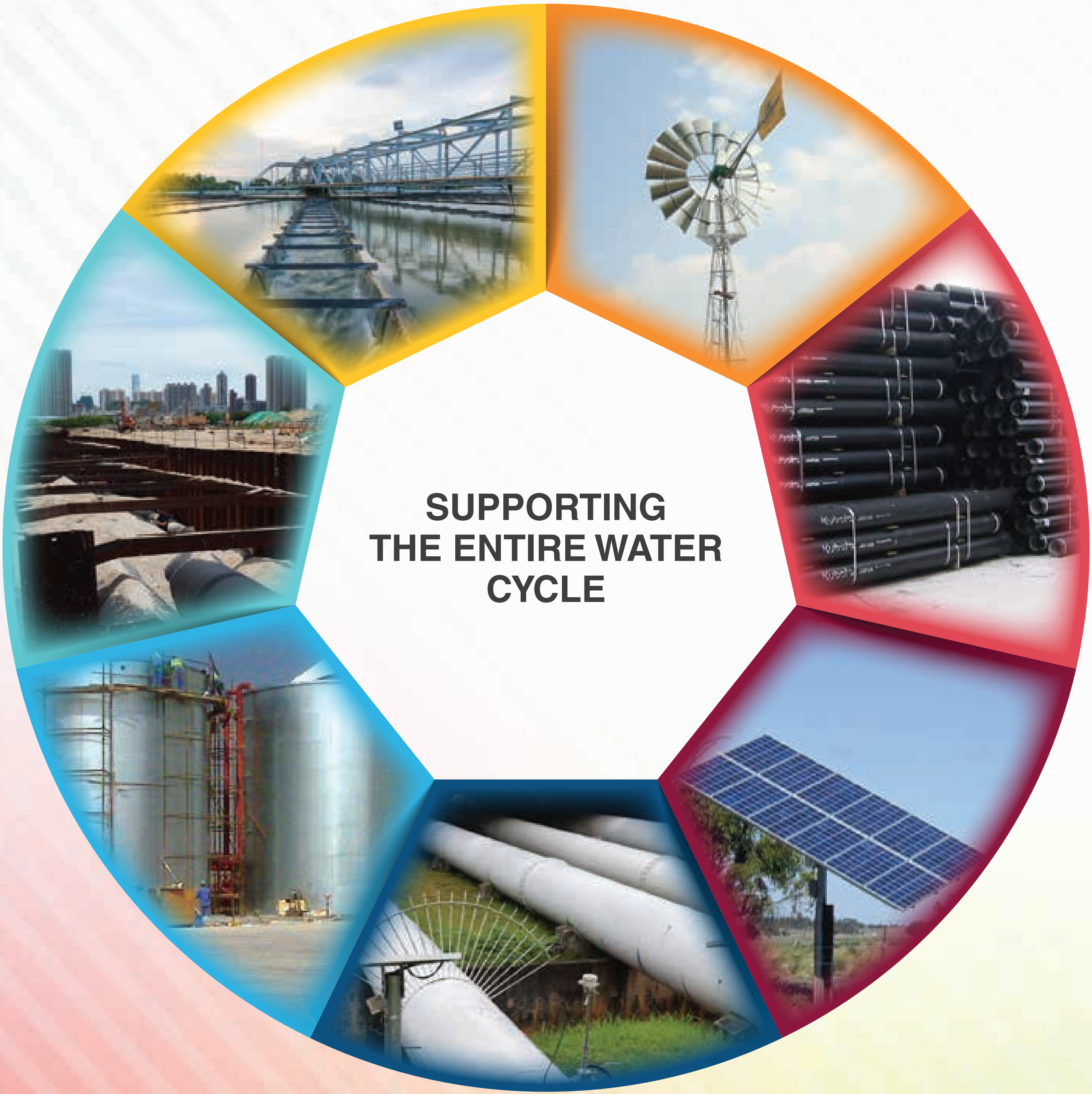
PAHL will not be where it is today without the support of our many stakeholders.

To my esteemed colleagues on the Board, thank you for the valuable guidance.

To our management and staff who has been most committed to contributing to the Group's success, thank you.

I would also like to thank our business partners, financial advisers, bankers, customers and shareholders, for their unwavering support of PAHL.

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: 29 April 2016

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 2016

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: 29 April 2016

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 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.

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.

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

Pan Asian Holdings Limited

- Pan Asian Holdings Limited (Vietnam) [Representative office]
- 100% Duvalco Valves & Fittings Pte. Ltd.
  - 100% Duvalco B.V.
  - 60% DWK Valves (Tianjin) Co., Ltd
  - 50% Duvalco UK Limited
- 100% Pan Asian Flow Technology Pte. Ltd.
- 100% Pan Asian Investment Pte. Ltd.
- 100% Sacha Inchi Pte. Ltd.
- 60% PA Tech (Asia) Pte. Ltd.
- 100% Pan Asian Holdings (B) Sdn. Bhd.
- 100% Pan Asian Water Solutions (HK) Limited
- 100% PA Water Solutions (Shanghai) Limited
- 100% Pan Asian Manufacturing (Tianjin) Co. Ltd
- 80% PA PTE (Thailand) Company Limited
- 100% PT. Pan Asian Water Solutions
- 100% W.D. Moore (2013) Pty Ltd
- 50% Franklin Hodge Pte. Ltd.
  - 100% Franklin Hodge Sdn. Bhd.
- 50% S-Two (Asia) Pte. Ltd.
- 49% Duvalco Controls Company Limited

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

OPERATIONS & FINANCIAL REVIEW

Galaxy Macau Hotel – ductile iron pipes and fittings

INCOME STATEMENT

REVENUE

The Group recorded a revenue of $37.6 million in FY2016, a decrease of 15.9% from that of $44.7 million registered in FY2015. This was mainly attributable to the decrease in revenue from the Singapore, Europe and Australia entities, partially offset by an increase in revenue from China and Hong Kong entities.

GROSS PROFIT & GROSS PROFIT MARGIN

Gross profit margin remained relatively stable despite the decrease in gross profit which was in line with the lower revenue.

OTHER GAINS

Other gains decreased from $5.5 million to $0.7 million during the year. The decrease was largely attributable to the absence of a one-off gain on disposal of property, plant and equipment. In FY2015, the Group recorded a $5.0 million gain largely due to the disposal of its old premises in Singapore. This decrease was offset by the write back of allowance for inventories as a result of management's re-assessment arising from subsequent sales.

EXPENSES

Marketing and distribution costs decreased by $0.4 million or 7.0% to $4.4 million in FY2016. This was mainly attributable to the reduction in payroll expenses of $0.5 million as a result of the decrease in headcount in the Australia and Singapore entities, offset by the increase in sales incentives incurred for Singapore and Hong Kong as a result of the increased sales.

Administrative expenses decreased by $0.2 million or 5.1% to $4.2 million in FY2016. This was largely aided by the decrease in property tax incurred of $0.1 million as a result of the move for the Singapore operations.

Finance costs decreased from $0.3 million to $0.1 million. This was mainly due to the decrease usage of trade facilities and short term loans during the year which was in line with the reduction in revenue, as well as improvement in cash position subsequent to disposal of its old Singapore premises.

Other losses decreased by $5.4 million largely due to the reduction in allowance for impairment on receivables, land use rights, inventories and plant and equipment. These had reduced as a result of management's assessment arising from an absence of impairment indicators.

SHARE OF RESULTS OF JOINT VENTURES

Overall, the joint ventures entities contributed a loss of $0.2 million in FY2016 vis-à-vis a profit of $0.1 million recognized in FY2015, due to challenging market conditions.

PROFIT AFTER TAX

As a result of the above, the Group recorded a profit after tax of $0.3 million in FY2016, which was a decrease of 41.6% from FY2015.

FINANCIAL POSITION

Total assets decreased from $35.5 million to $34.0 million during the year. Comprising 77.8% of total assets, current assets stood at $26.4 million in FY2016, marking a decrease of $0.7 million from $27.1 million. The decrease was mainly due to the decrease in other assets, current, by $0.9 million as a result of the Group recovering the prepayment from Tongzhou before year end; decrease in inventories of $0.2 million; offset by the increase in cash and cash equivalents of $0.5 million.

Non-current assets decreased by $0.9 million from $8.4 million as at 31 December 2015 to $7.5 million as at 31 December 2016. This was mainly attributable to the depreciation of plant and equipment of $0.5 million, offset by net addition of $0.1 million, decrease in deferred tax assets of $0.2 million due to reassessment of tax position, and decrease in investment in joint ventures as a result of share of loss contributed by joint ventures.

Total liabilities decreased from $16.6 million to $15.9 million during the year. Under current liabilities, trade payable – related parties decreased by $0.7 million due to repayment of trade payables, offset by the increase in advance deposit received from customers of $0.5 million.

STATEMENT OF CASH FLOW

Overall, the Group recorded a net increase in cash and cash equivalents of $0.5 million. This was mainly attributable to the cash flow from operating activities of $1.9 million, offset by the cash flow used in investing activities and financing activities of $50,000 and $1.3 million respectively.

Operating activities recorded a net cash inflow mainly due to the profit recorded for the year, aided by the cash inflow generated from changes in other assets and inventories of $0.9 million and $0.2 million respectively. This was offset by the cash outflow from changes in trade and other payables due to repayment. Investing activities recorded a net cash outflow mainly due to the cash incurred for the purchase of property, plant and equipment, offset by the cash received for the disposal of investments in PVT Engineering Sdn Bhd, and GLS Tank Sdn Bhd, as well as proceeds from the disposal of plant and equipment.

Financing activities recorded a net cash outflow mainly due to the dividends paid during the year.

SEGMENTAL PERFORMANCE

Portable Water segment remained the largest segment, generating 59.6% of the Group's revenue. Revenue from Waste Water segment decreased 98.7% to $29,000 during the year.

Geographically, Singapore remained the largest contributor to Group revenue at $16.9 million and its share of revenue increased from 36.4% to 45.0%. The increase in revenue contributed by Singapore was in line with the increased projects undertaken during the year.

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 2016 ("**FY2016**"), 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 complied with 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 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 capital expenditures exceeding $100,000 for unbudgeted expenditures or $250,000 for budgeted expenditures;

(f) the approval of capital borrowings and financial commitments;

(g) the interested person transactions of the Company;

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

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

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

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

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

(m) the convene of shareholders' meetings; and

(n) 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 three 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.

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CORPORATE GOVERNANCE STATEMENT

The number of Board and Board Committee meetings held during FY2016 and the attendance of each Director are as follows:

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

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. Such training costs are borne by the Company. The Company works closely with its 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 FY2016, the external auditor 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.

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.

There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

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. The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

CORPORATE GOVERNANCE STATEMENT

The Nominating Committee conducts annual review to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board. This will enable the Board to maintain or enhance its balance and diversity.

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 4 times in the absence of the Management for the financial year in review.

The Board acknowledges that under Guideline 2.2 of the Code, 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 the Chairman is part of the management team and not an independent director. The Monetary Authority of Singapore has provided a longer transition period of five (5) years to allow sufficient time for listed companies to make board composition changes to comply with Guideline 2.2 of the code. Accordingly, the Company is required to comply with Guideline 2.2 at the Annual General Meeting following the end of the financial year commencing from 1 May 2016, i.e. by 30 April 2018 to undertake the necessary board changes for Independent Directors to make up at least half of the Board.

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 Managing Director cum 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 or influence.

CORPORATE GOVERNANCE STATEMENT

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 the presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

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	Independent Director (Chairman)
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.

CORPORATE GOVERNANCE STATEMENT

The terms of 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;

(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 Managing Director cum Chief Executive Officer; 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.

The Nominating Committee has reviewed the time spent and attention given by each of the Directors to the Company's affairs, taking into accounts the multiple directorships and other principal commitments of each of the Directors, and is satisfied that all Directors have discharged their duties adequately for FY2016.

CORPORATE GOVERNANCE STATEMENT

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 the 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-election of the Director to the Board for its consideration and approval.

Mr Richard Koh Chye Heng and Mr Wu Yu Liang are subject to retirement at the forthcoming annual general meeting pursuant to the Constitution of the Company.

Accordingly, the Nominating Committee has assessed and recommended to the Board, and the Board has endorsed the re-elections of Mr Richard Koh Chye Heng and Mr Wu Yu Liang, who have offered themselves for re-election as a Director of the Company by Shareholders at the forthcoming annual general meeting.

Mr Richard Koh Chye Heng will, upon re-election as Director of the Company, remain as the Executive Chairman of the Company.

Mr Wu Yu Liang will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. The Board considers Mr Wu Yu Liang to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Save as disclosed herein, Mr Wu does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code).

The Company currently does not have any alternate directors.

CORPORATE GOVERNANCE STATEMENT

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 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/ 29 April 2016	–	–	Managing Director cum Chief Executive Officer of the Company
Goh Boon Kok (Lead Independent Director)	20 March 2009/ 29 April 2016	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	China Environment Ltd	Wu LLC Offshore Nexus Management & Secretarial Services Pte Ltd StartUp Consultants Ltd.
Indriati Khoe (Non-Executive Director)	29 May 2009/ 29 April 2016	–	–	VIP-Polymers Pte Ltd Children's Vineyard Preschool Pte Ltd Wankai Management Pte Ltd

Save for the following Directors, none of the other Directors (excluding Executive Directors) have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% substantial shareholders, could interfere or to be reasonably perceived to interfere with the exercise of independent judgements:

Ms Indriati Khoe is the spouse of Mr Koh Eddie, the Managing Director cum Chief Executive Officer of the Company and a substantial shareholder of the Company.

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. For FY2016, the Nominating Committee did not propose any changes to the performance criteria for FY2016 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained the same. 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 assessed 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. All Nominating Committee members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance.

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 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	Three times a year
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

Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least three working days prior to the meetings to allow sufficient time for the Directors' review.

Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.

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	Independent Director (Chairman)
Goh Boon Kok	Lead Independent Director
Indriati Khoe	Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

All Remuneration Committee members are Non-Executive Directors, two out of three of whom, including the Chairman of 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.

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.

CORPORATE GOVERNANCE STATEMENT

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 and 1 January 2017 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 and 1 January 2017 on the same terms and conditions.

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.

The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forwarding-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

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 Director 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.

CORPORATE GOVERNANCE STATEMENT

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.

The breakdown of remuneration of the Directors and key executives of the Group (in percentage terms) for FY2016 is set out below:

Name	Fixed Salary	Other Fees	Bonus and Incentives
Remuneration Band from $250,001 to $500,000			
Executive Directors			
Koh Eddie	88%	5%	7%
Richard Koh Chye Heng	85%	8%	7%
Key Executives			
Harvey Kwan Koon Ho	26%	1%	73%
Remuneration Band up to $250,000			
Independent Directors			
Goh Boon Kok	100%	–	–
Wu Yu Liang	100%	–	–
Non-Executive Director			
Indriati Khoe	100%	–	–
Key Executive			
Neo Lay Fen	88%	1%	11%
Remuneration Band from $150,001 to $200,000			
Key Executive who is a family member of the Executive Directors			
Kelly Koh Mee Lin	76%	5%	19%

Notwithstanding Guideline 9.3 of the Code, the Group is disclosing the remuneration of only three key executives because the Group has only such a number of key executives (who were not also directors) during the financial year ended 31 December 2016.

CORPORATE GOVERNANCE STATEMENT

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 top 3 key executives 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 FY2016.

For FY2016, there were no termination, retirement or post-employment benefits granted to the Directors, the Managing Director cum Chief Executive Officer and relevant key executives.

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.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets and to manage risks. 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 auditor 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 2016.

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.

The Board has received assurance from the Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records as at 31 December 2016 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 2016. 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 Audit Committee Chairman, are independent. None of the Audit Committee members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the Audit Committee members hold any financial interest in the external audit firm.

The members of the Audit Committee are:

Goh Boon Kok	Lead Independent Director (Chairman)
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.

CORPORATE GOVERNANCE STATEMENT

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

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 judgements having regard to the requirements of the Catalist Rules;

(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 auditor annually;

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

(h) to meet with the external auditor, 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 auditor 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 Board considers Goh Boon Kok, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the Audit Committee. Indriati Khoe of the Audit Committee is also trained in financial management.

The Audit Committee meets with the external auditor and internal auditor separately, at least once a year, without the presence of Management.

The Audit Committee also reviews all non-audit services provided by the external auditor to ensure that the provision of these services does not affect the independence of the auditors. For FY2016, RSM Chio Lim LLP ("**RSM Chio Lim**") provided tax compliance services to the Company other than 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 $131,000 and $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 auditor and accordingly, has recommended the re-appointment of RSM Chio Lim as auditors of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE STATEMENT

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 auditor of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

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 measures 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.

The Audit Committee considered the key audit matters in the audit report and Management's judgement approach to the matters relating to the net realisable value of land use rights and net realisable value of inventories.

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 auditor, 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 auditor. In addition, the Audit Committee meets with the internal auditor separately, at least once a year, without the presence of Management.

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.

CORPORATE GOVERNANCE STATEMENT

SHAREHOLDER RIGHTS AND RESPONSIBLITIES

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.

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 will consider the appointment of a professional investor relations firm to manage the function when the need arises.

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 not declared or recommended for FY2016, as the Board wants to ensure that there are adequate resources for the Company's expansion plans and to respond to any adverse changes in the macroeconomic environment.

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 auditor 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.

CORPORATE GOVERNANCE STATEMENT

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.

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.

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 FY2016 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.

CORPORATE GOVERNANCE STATEMENT

The aggregate value of interested person transactions entered into during FY2016 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
Royalty payable to Duvalco International Pte Ltd	–	161
Purchases from Duvalco Valves & Fittings (Wuxi) Co. Ltd	–	1,330

The Company will not be seeking a renewal of shareholders' mandate for transactions with interested persons of the Company pursuant to Chapter 9 of the Catalist Rules as the Company has revised its operational processes/procedures for the financial year ending 31 December 2017.

The Company will comply with provisions in Chapter 9 of the Catalist Rules in respect of all future interested person transactions, and if required under the Catalist Rules or the Companies Act, seek shareholders' approval or a fresh mandate (where necessary) for such transanctions. The 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 Catalist Rules) are complied with.

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 FY2016 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 FY2016.

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 2016.

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

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 or in 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:

Name of directors and companies in which interests are held	Deemed interest: At beginning of the reporting year	Deemed interest: 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	Direct interest 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	Direct interest 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 the company and 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 2017 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.

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 2016.

On behalf of the Directors

Richard Koh Chye Heng	Koh Eddie
Director	Director

31 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Report on the financial statements

Opinion

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 2016, 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 notes to the financial statements, including the significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 ("the Act") and the Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis of opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Net realisable value of land use rights</u>

We draw attention to Note 29 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Key audit matters (Continued)

Net realisable value of land use rights (continued)

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 16 on land use rights.

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. We focused on this transaction because of the significant management judgement and assumption used in the assessment of the recoverable amount. We compared the indicative prevailing market value of LURs of similar sizes in comparable Zone areas and satisfied ourselves that it is not lower than the carrying value. We also focused on the adequacy of the Group's disclosures about those assumptions on the determination of the recoverable amount of the land use rights.

Due to the uncertainties to the future outcome and the possibility of adjustments to increase or reduce the carrying value in the future, the matter is brought to the attention of the members.

Net realisable value of inventories

Please refer to Note 2 on accounting policies; Note 2C on critical judgements, assumptions and estimation uncertainties; and Note 19 on inventories.

The cost of inventories may not be recoverable in full if those inventories are damaged, or if they become obsolete, or if their selling prices have declined. The assessment of the net realizable value was significant to our audit because the inventory balance represent a significant amount of the Group's total assets as at 31 December 2016.

The estimate of loss allowance on inventories is based on the age of these inventories, prevailing market conditions in the water treatment and process industries and historical allowance experiences which require management's judgement. Management applies particular judgement in the areas relating to inventory allowance based on expected inventory sales. This methodology relies upon assumptions made in determining appropriate allowance percentages for each aged categories of inventory.

For the samples selected our audit procedures included (a) the checking of the net realisable value of the inventories by comparing cost to subsequent selling prices; and (b) reviewing the inventory turnover days and aging of the inventories to assess if there were any significant build up of aged inventories and assessing the reasonableness of the allowance for inventories. We obtained assurance over the appropriateness of management's assumptions applied in calculating the value of inventory allowances by assessing the Group's inventory allowance policy, as well as expectations for future sales and inventory management plans.

Other information

Management is responsible for the other information. The other information comprises information included in the statement by directors and the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Other information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (Continued)

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Teo Cheow Tong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Notes	Group	
		2016	2015
		$'000	$'000
Revenue	5	**37,613**	44,744
Cost of sales		**(28,602)**	(34,786)
Gross profit		**9,011**	9,958
Interest income		**7**	–
Other gains	6	**718**	5,521
Marketing and distribution costs	7	**(4,436)**	(4,769)
Administrative expenses	7	**(4,247)**	(4,475)
Finance costs		**(121)**	(257)
Other losses	6	**(110)**	(5,505)
Share of (loss) profit from equity-accounted joint ventures		**(163)**	98
Profit before tax		**659**	571
Income tax (expense) credit	9	**(322)**	6
Profit net of tax		**337**	577
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– (Losses) gains		**(147)**	255
– Reclassification to profit or loss arising from disposal of subsidiaries		**–**	31
Other comprehensive (loss) income for the year, net of tax		**(147)**	286
Total comprehensive income		**190**	863
Profit attributable to owners of the parent, net of tax		**304**	656
Profit (loss) attributable to non-controlling interests, net of tax		**33**	(79)
Profit net of tax		**337**	577
Total comprehensive income attributable to owners of the parent		**182**	928
Total comprehensive income (loss) attributable to non-controlling interests		**8**	(65)
Total comprehensive income		**190**	863
Earnings per share		**Cents**	Cents
Basic and diluted	10	**0.14**	0.31

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Group		Company	
	Notes	2016	2015	2016	2015
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	11	**5,917**	6,353	**4,598**	4,728
Investments in subsidiaries	12	**–**	–	**4,245**	6,054
Investments in joint ventures	13	**172**	340	**100**	105
Other financial assets, non-current	14	**–**	–	**–**	–
Intangible assets	15	**–**	–	**–**	–
Land use rights	16	**1,357**	1,471	**–**	–
Other assets, non-current	17	**78**	78	**78**	78
Deferred tax assets	9	**–**	151	**–**	–
Total non-current assets		**7,524**	8,393	**9,021**	10,965
Current assets					
Asset held for sale under FRS 105	18	**–**	120	**–**	120
Inventories	19	**4,745**	4,979	**620**	1,522
Trade and other receivables, current	20	**15,925**	15,836	**10,340**	12,534
Other assets, current	17	**936**	1,865	**110**	228
Cash and cash equivalents	21	**4,822**	4,309	**1,634**	2,377
Total current assets		**26,428**	27,109	**12,704**	16,781
Total assets		**33,952**	35,502	**21,725**	27,746
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	**15,300**	15,300	**15,300**	15,300
Other reserves	23	**238**	340	**–**	–
Retained earnings		**1,584**	2,371	**64**	2,505
Equity, attributable to owners of the parent		**17,122**	18,011	**15,364**	17,805
Non-controlling interests		**949**	941	**–**	–
Total equity		**18,071**	18,952	**15,364**	17,805
Non-current liabilities					
Deferred tax liabilities	9	**53**	81	**33**	81
Other financial liabilities, non-current	24	**81**	145	**81**	145
Total non-current liabilities		**134**	226	**114**	226
Current liabilities					
Income tax payable		**261**	222	**–**	–
Other financial liabilities, current	24	**1,806**	1,832	**1,806**	1,184
Trade and other payables, current	25	**13,680**	14,270	**4,441**	8,531
Total current liabilities		**15,747**	16,324	**6,247**	9,715
Total liabilities		**15,881**	16,550	**6,361**	9,941
Total equity and liabilities		**33,952**	35,502	**21,725**	27,746

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

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 2016	**18,952**	**941**	**18,011**	**15,300**	**2,371**	**340**
Movements in equity:						
Total comprehensive income (loss) for the year	**190**	**8**	**182**	**–**	**304**	**(122)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**(20)**	**20**
Dividends on ordinary shares (Note 27)	**(1,071)**	**–**	**(1,071)**	**–**	**(1,071)**	**–**
Closing balance at 31 December 2016	**18,071**	**949**	**17,122**	**15,300**	**1,584**	**238**
Previous 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

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

Company:	**Total equity $'000**	**Share capital $'000**	**Retained earnings $'000**
Current year:			
Opening balance at 1 January 2016	**17,805**	**15,300**	**2,505**
Movements in equity:			
Total comprehensive loss for the year	**(1,370)**	**–**	**(1,370)**
Dividends on ordinary shares (Note 27)	**(1,071)**	**–**	**(1,071)**
Closing balance at 31 December 2016	**15,364**	**15,300**	**64**
Previous 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit before tax	**659**	571
Adjustment for:		
Amortisation of land use rights	**60**	63
Depreciation of property, plant and equipment	**549**	667
Impairment loss on goodwill	**–**	347
Impairment loss on joint ventures	**5**	–
Impairment loss on land use rights	**–**	1,300
Impairment of property, plant and equipment	**–**	348
Interest income	**(7)**	–
Interest expense	**121**	257
Losses (gains) on disposal of subsidiaries, net	**22**	(430)
Gains on disposal of property, plant and equipment, net	**(39)**	(5,043)
Share of loss (profit) from equity-accounted joint ventures	**163**	(98)
Operating cash flow before changes in working capital	**1,533**	(2,018)
Trade and other receivables	**(90)**	(4,303)
Other assets	**929**	757
Inventories	**234**	1,827
Trade and other payables	**(583)**	6,552
Net cash flows from operations	**2,023**	2,815
Income taxes paid	**(160)**	(234)
Net cash flows from operating activities	**1,863**	2,581
Cash flows from investing activities		
Acquisition of non-controlling interest of subsidiary (Note 12)	**–**	(65)
Disposal of subsidiaries (net of cash disposed) (Note 12A)	**(41)**	1,109
Interest received	**7**	–
Proceeds from disposal of property, plant and equipment	**181**	8,027
Proceeds from investment held for disposal	**120**	–
Purchase of property, plant and equipment (Note 21B)	**(317)**	(4,456)
Net cash flows (used in) from investing activities	**(50)**	4,615
Cash flows from financing activities		
Dividends paid on ordinary shares	**(1,071)**	–
Finance lease repayment	**(145)**	(83)
Interest paid	**(121)**	(257)
Repayment of bank borrowings	**5**	(4,646)
Net cash flows used in financing activities	**(1,332)**	(4,986)
Net increase in cash and cash equivalents	**481**	2,210
Effect of exchange rate changes on cash and cash equivalent	**32**	318
Cash and cash equivalents, statement of cash flows, beginning balance	**4,309**	1,781
Cash and cash equivalents, statement of cash flows, ending balance (Note 21A)	**4,822**	4,309

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 Financial Reporting Standards in Singapore (“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 may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

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 2016

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.

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

2A. Significant accounting policies (Continued)

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.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

2A. Significant accounting policies (Continued)

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.

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.

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

2A. Significant accounting policies (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

2A. Significant accounting policies (Continued)

Leases (Continued)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture (Continued)

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.

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.

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 2016

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 2016

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 2016

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.

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.

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

2A. Significant accounting policies (Continued)

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. 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. 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.

Fair value of 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. It is a market-based measurement, not an entity-specific measurement. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

2A. Significant accounting policies (Continued)

Fair value of measurement (Continued)

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 stated 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.

2B. Other explanatory information

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.

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

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.

Estimated impairment of land use rights:
The Group has land use rights at a carrying value of $1,357,000 (2015: $1,471,000) disclosed under Note 16. 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 29. See Note 16 for further details.

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 $4,745,000 (2015: $4,979,000) and $620,000 (2015: $1,522,000) respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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 $5,917,000 (2015: $6,353,000) and $4,598,000 (2015: $4,728,000) respectively.

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 $1,906,000 (2015: $1,726,000) 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.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3A. Members of a Group:

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

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 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.

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:

	2016 $'000	2015 $'000
Ultimate parent company:		
Rental expense	–	(25)
Director:		
Professional fee expense	6	15
Other related parties:		
Royalty fees expense	161	154
Purchases of goods	1,330	3,579

NOTES TO THE FINANCIAL STATEMENTS

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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Key management compensation:

	2016 $'000	2015 $'000
Salaries and other short-term employee benefits	**1,527**	1,811

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

	2016 $'000	2015 $'000
Remuneration of directors of the Company	**572**	566
Fees to directors of the Company	**137**	131
Fees to a firm in which a director is a member	**6**	15

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 Company, 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	
	2016 $'000	2015 $'000
Other payables:		
Balance at beginning of the year	**–**	(28)
Other adjustments	**–**	28
Balance at end of the year	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
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3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

Company	Subsidiaries	
	2016	**2015**
	$'000	**$'000**
Other receivables (payables):		
Balance at beginning of the year – net debit	**4,946**	2,691
Amounts paid out and settlement of liabilities on behalf of subsidiaries	**1,868**	2,255
Balance at end of the year – net debit	**6,814**	4,946
Presented in the statement of financial position as follows:		
Other receivables (Note 20)	**6,814**	5,159
Other payables (Note 25)	**–**	(213)
Net	**6,814**	4,946

	Ultimate parent company			
	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Other payables:				
Balance at beginning of the year	**(1,830)**	–	**(1,830)**	–
Amounts paid out/(in) and settlement of liabilities on behalf of ultimate parent company/(the Company)	**45**	(1,830)	**45**	(1,830)
Balance at end of the year (Note 25)	**(1,785)**	(1,830)	**(1,785)**	(1,830)

	Related parties			
	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables (payables):				
Balance at beginning of the year – net debit	**250**	327	**250**	322
Amounts paid out/(in) and settlement of liabilities on behalf of related parties/(the Company)	**(12)**	(77)	**(12)**	(72)
Balance at end of the year – net debit	**238**	250	**238**	250
Presented in the statement of financial position as follows:				
Other receivables (Note 20)	**291**	303	**291**	303
Other payables (Note 25)	**(53)**	(53)	**(53)**	(53)
Net	**238**	250	**238**	250

NOTES TO THE FINANCIAL STATEMENTS

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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.

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

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4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4B. Profit or loss from continuing operations and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment														
External revenue	**22,418**	18,802	**29**	2,267	**1,278**	4,771	**7,908**	14,359	**5,980**	4,545	**–**	–	**37,613**	44,744
Results:–														
Segment result	**5,748**	4,667	**12**	545	**273**	526	**1,004**	2,913	**1,974**	1,307	**–**	–	**9,011**	9,958
Interest income									**–**	–	**7**	–	**7**	–
Finance costs									**–**	–	**(121)**	(257)	**(121)**	(257)
Amortisation of land use rights									**(60)**	(63)	**–**	–	**(60)**	(63)
Depreciation of property, plant and equipment									**–**	–	**(549)**	(667)	**(549)**	(667)
Employee benefits expenses									**–**	–	**(5,326)**	(5,634)	**(5,326)**	(5,634)
Impairment of assets									**–**	–	**(5)**	(2,451)	**(5)**	(2,451)
Unallocated corporate expenses									**–**	–	**(2,808)**	(2,943)	**(2,808)**	(2,943)
Other (losses) gains									**–**	–	**673**	2,530	**673**	2,530
Share of (loss) profit from equity-accounted joint ventures									**–**	–	**(163)**	98	**(163)**	98
Profit before tax													**659**	571
Income tax (expense) credit													**(322)**	6
Profit net of tax													**337**	577

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4C. Assets, liabilities and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets														
Trade and other receivables	**10,494**	7,075	**3**	3,147	**294**	201	**3,423**	3,499	**1,711**	1,914	**–**	–	**15,925**	15,836
Property, plant and equipment											**5,917**	6,353	**5,917**	6,353
Cash and cash equivalents											**4,822**	4,309	**4,822**	4,309
Asset held for sale under FRS 105											**–**	120	**–**	120
Others											**7,288**	8,884	**7,288**	8,884
Total assets													**33,952**	35,502
Reportable segment liabilities														
Trade and other payables											**13,680**	14,270	**13,680**	14,270
Other financial liabilities											**1,887**	1,977	**1,887**	1,977
Others											**314**	303	**314**	303
Total liabilities													**15,881**	16,550
Capital expenditure											**367**	4,455	**367**	4,455

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4D. Geographical information

	Revenue		Non-current assets	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore	**16,908**	16,267	**4,938**	5,229
Australia	**69**	1,346	**–**	44
Brunei	**300**	2,111	**–**	–
China	**7,883**	5,891	**2,262**	2,539
Europe	**2,012**	4,464	**314**	415
Hong Kong	**7,486**	5,803	**9**	11
Indonesia	**–**	52	**1**	1
Japan	**2,560**	6,911	**–**	–
Malaysia	**45**	360	**–**	–
Vietnam	**163**	126	**–**	–
Others	**187**	1,413	**–**	3
Subtotal for all foreign countries	**20,705**	28,477	**2,586**	3,013
Total	**37,613**	44,744	**7,524**	8,242

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.

4E. Information about major customers

	2016	2015
	$'000	$'000
Top 1 Customer in PW segment	**5,187**	**6,650**

5. REVENUE

	Group	
	2016	2015
	$'000	$'000
Sale of goods	**37,320**	44,397
Rental income	**–**	75
Commission income	**122**	33
Other income	**171**	239
Total revenue	**37,613**	44,744

NOTES TO THE FINANCIAL STATEMENTS

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6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2016	2015
	$'000	$'000
Allowance for impairment on other assets (Note 17)	**–**	(408)
Amortisation of land use rights (Note 16)	**(60)**	(63)
Bad debts written off trade receivables	**(23)**	(2)
Foreign exchange adjustment losses, net	**86**	(156)
Gains on disposal of property, plant and equipment, net	**39**	5,043
(Losses)/gain on disposal of subsidiaries, net (Note 12A)	**(22)**	430
Government grant	**126**	16
Impairment loss on goodwill (Note 15A)	**–**	(347)
Impairment loss on joint ventures (Note 13)	**(5)**	–
Impairment loss on land use rights (Note 16)	**–**	(1,300)
Impairment loss on plant and equipment (Note 11)	**–**	(348)
Inventories write down reversal/(written down) (Note 19)	**254**	(551)
Inventories written off	**–**	(216)
Net allowance for impairment on trade receivables – reversal/(loss) (Note 20)	**95**	(2,114)
Sundry income	**118**	32
Net	**608**	16
Presented in profit or loss as:		
Other gains	**718**	5,521
Other losses	**(110)**	(5,505)
Net	**608**	16

7. MARKETING AND DISTRIBUTION COSTS, AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2016	2015
	$'000	$'000
Marketing and distribution costs		
Employee benefits expense (Note 8)	**2,605**	2,838
Penalty for late delivery – (reversal)/expense	**(443)**	526
Administrative expenses		
Employee benefits expense (Note 8)	**2,167**	2,064
Depreciation of property, plant and equipment (Note 11)	**349**	392

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	$'000	$'000
Employee benefits expense	**4,774**	5,075
Contributions to defined contribution plan	**387**	432
Other benefits	**165**	127
Total employee benefits expense	**5,326**	5,634
The employee benefits expense is charged under:		
Administrative expenses	**2,167**	2,064
Cost of sales	**554**	732
Marketing and distribution costs	**2,605**	2,838
	5,326	5,634

9. INCOME TAX

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

	Group	
	2016	2015
	$'000	$'000
Current tax expense/(credit):		
Current tax expense	**226**	195
Over adjustments in respect of prior periods	**(27)**	(258)
Subtotal	**199**	(63)
Deferred tax expense:		
Deferred tax expense	**123**	57
Subtotal	**123**	57
Total income tax expense/(credit)	**322**	(6)

NOTES TO THE FINANCIAL STATEMENTS

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9. INCOME TAX (CONTINUED)

9A. Components of tax expense/(credit) 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% (2015: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2016	2015
	$'000	$'000
Profit before tax	659	571
Less: Share of loss/(profit) from equity-accounted joint ventures	163	(98)
	822	473
Income tax expense at the above rate	140	80
Effect of different tax rates in different countries	8	(250)
(Not liable to tax)/non-deductible items	(62)	670
Tax exemption	(53)	–
Deferred tax not recognised	338	(311)
Over adjustments to current tax in respect of prior periods	(27)	(258)
Other minor items less than 3% each	(22)	63
Total income tax expense/(credit)	322	(6)

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

The major non-deductible items include the following:

	Group	
	2016	2015
	$'000	$'000
Depreciation on non-qualifying plant and equipment	2	21
Allowance for impairment on other asset, current	–	61
Inventories (write down reversal)/written down	(43)	94
Impairment loss on land use rights	–	221
Impairment loss on goodwill	–	59
Impairment loss on property, plant and equipment	–	59

NOTES TO THE FINANCIAL STATEMENTS
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9. INCOME TAX (CONTINUED)

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

	Group	
	2016	2015
	$'000	$'000
Deferred income	**(147)**	–
Excess of tax values over book value of property, plant and equipment	**(27)**	77
Tax loss carryforwards	**218**	(454)
Wear and tear allowances carryforwards	**–**	(32)
Provisions	**(78)**	41
Deferred tax not recognised	**(89)**	311
Total deferred tax credit recognised in profit or loss	**(123)**	(57)

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

	Group	
	2016	2015
	$'000	$'000
Deferred tax assets (liabilities) recognised in profit or loss:		
Deferred income	**–**	147
Excess of tax values over book value of property, plant and equipment	**2**	29
Tax loss carryforwards	**1,291**	1,073
Provisions	**37**	115
Unrecognised deferred tax assets	**(1,383)**	(1,294)
Net balance	**(53)**	70
Presented in the statement of financial position as follows:		
Deferred tax liabilities	**(53)**	(81)
Deferred tax assets	**–**	151
Net balance	**(53)**	70

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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	
	2016	**2015**
	$'000	**$'000**
Balance at beginning of the year – net	**70**	109
Foreign exchange adjustment	**–**	2
Deferred tax balance recognised in profit or loss (Note 9B)	**(123)**	(57)
Disposal of subsidiary (Note 12A)	**–**	16
Balance at end of the year – net	**(53)**	70

	Company	
	2016	**2015**
	$'000	**$'000**
Deferred tax assets/(liabilities):		
Excess of tax values over book value of property, plant and equipment	**10**	26
Tax loss carryforwards	**369**	440
Provisions	**23**	116
Unrecognised deferred tax assets	**(435)**	(663)
Net deferred tax liabilities	**(33)**	(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

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10. EARNINGS PER SHARE

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

	2016 $'000	2015 $'000
A. Numerator: profit attributable to equity:		
Continuing operations:		
Total basic and diluted earnings attributable to owners of the parent	**304**	656
	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 2015	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**
Additions	**–**	**367**	**367**
Disposals	**–**	**(388)**	**(388)**
Foreign exchange adjustments	**(12)**	**(70)**	**(82)**
At 31 December 2016	**4,030**	**5,342**	**9,372**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Accumulated depreciation and impairment losses:			
At 1 January 2015	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**
Depreciation for the year	**63**	**486**	**549**
Disposals	**–**	**(247)**	**(247)**
Foreign exchange adjustments	**–**	**31**	**31**
At 31 December 2016	**69**	**3,386**	**3,455**
Net book value:			
At 1 January 2015	445	3,890	4,335
At 31 December 2015	4,036	2,317	6,353
At 31 December 2016	**3,961**	**1,956**	**5,917**

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

	Group 2016 $'000	Group 2015 $'000
Cost of sales	**50**	118
Marketing and distribution costs	**150**	157
Administrative expenses (Note 7)	**349**	392
Other losses (Note 6)	**–**	348
Total	**549**	1,015

Assets held in trust

Leasehold properties amounting to $3,652,000 (2015: $3,715,000) are 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 24C).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction

Properties include buildings in the course of construction with a cost of $309,000 (2015: $320,000).

Plant and equipment includes equipment under construction with cost of $Nil (2015: $145,000).

Impairment of assets

During the reporting year ended 31 December 2015, a subsidiary carried out a review of the recoverable amount of its equipment classified in plant and equipment. Accordingly, an impairment loss of $348,000 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 2015	–	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**
Additions	**–**	**280**	**280**
Disposal	**–**	**(128)**	**(128)**
At 31 December 2016	**3,720**	**2,500**	**6,220**
Accumulated depreciation:			
At 1 January 2015	–	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**
Depreciation for the year	**63**	**270**	**333**
Disposal	**–**	**(51)**	**(51)**
At 31 December 2016	**68**	**1,554**	**1,622**
Net book value:			
At 1 January 2015	–	848	848
At 31 December 2015	3,715	1,013	4,728
At 31 December 2016	**3,652**	**946**	**4,598**

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
At cost:		
Balance at beginning of the year	**9,311**	14,397
Additions	**500**	65
Disposals[a]	**–**	(4,450)
Reclassified to other financial assets[b]	**–**	(701)
	9,811	9,311
Allowance for impairment	**(5,566)**	(3,257)
Balance at the end of the year	**4,245**	6,054
Movements in allowance for impairment:		
Balance at beginning of the year	**3,257**	4,041
Impairment loss charge to profit or loss included in other losses	**2,309**	3,508
Impairment allowance written off on disposal	**–**	(3,591)
Reclassified to other financial assets[b]	**–**	(701)
Balance at end of the year	**5,566**	3,257
Net book value of subsidiaries	**5,682**	6,434

The decreasing performance of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAMTJ"), PT. Pan Asian Water Solutions ("PT Pan") and W.D. Moore (2013) Pty Ltd ("WDM2013") were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $1,850,000, $394,000 and $65,000 respectively to write down the cost of investments to their recoverable amount during the reporting year ended 31 December 2016.

During the reporting year ended 31 December 2015, The decreasing performance of Duvalco Valves & Fittings Pte. Ltd. ("DVF"), 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 an impairment loss amounting to $2,500,000, $500,000, $170,000 and $338,000 respectively to write down the cost of investments to their recoverable amount.

(a) PVT Engineering Sdn. Bhd. and GLS Tanks Malaysia Sdn. Bhd. (collectively "PVT Group") was disposed in 2015 in accordance with the Sales and Purchase agreement ("S&P agreement") dated 17 February 2015 (see Note 12A and 18).

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) 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).

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**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**%**	**%**
Duvalco Valves & Fittings Pte. Ltd.[1] Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	**3,000**	3,000	**100**	100
Pan Asian Flow Technology Pte. Ltd.[1], [6], [10] Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	**500**	–	**100**	100
Pan Asian Investment Pte. Ltd.[4], [5], [12] Singapore Investment holding	**–**	–	**100**	–
Pan Asian Eco Solutions Pte. Ltd. Singapore De-registered in 2015	**–**	–	**–**	–
Pan Asian HB Pte. Ltd. Singapore De-registered in 2015	**–**	–	**–**	–
W.D. Moore (Asia) Pte. Ltd. Singapore De-registered in 2015	**–**	–	**–**	–

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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	
	2016 $'000	2015 $'000	2016 %	2015 %
PA Tech (Asia) Pte. Ltd.[1] Singapore Supply marine and offshore products (RSM Chio Lim LLP)	**180**	180	**60**	60
Pan Asian Water Solutions (HK) Limited[2] 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[3] People's Republic of China General importers and exporters of pipes and valves (Zhong Peng Public Accountants)	**330**	330	**100**	100
Pan Asian Manufacturing (Tianjin) Co. Ltd[3] 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[4], [7] Thailand Exporting and importing of water treatment products	**170**	170	**80**	80
PT. Pan Asian Water Solutions[3], [9] Indonesia Exporting and importing of products of water treatment (PT. ASA Indonesia)	**151**	151	**100**	100
W.D. Moore (2013) Pty Ltd[3] Australia Supply of windmill and solar-powered water pumping systems (Optima Audit Pty Ltd)	**394**	394	**100**	100

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 2016 $'000	Cost in books of Group 2015 $'000	Effective percentage of equity held by Group 2016 %	Effective percentage of equity held by Group 2015 %
Pan Asian Holdings (B) Sdn Bhd[4], [5] Brunei Darussalam General importers and exporters for pipes	**–**	–	**100**	100
W.D. Moore Pty Ltd Australia Liquidation completed in 2015	**–**	–	**–**	–
Total in books of the Company	**9,811**	9,311		
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[3] 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[13] People's Republic of China Supply of piping systems for use in water and wastewater infrastructure developments, and marine and industrial applications	**–**	59	**–**	60
Held by PA Water Solutions (Shanghai) Limited				
Pan Asian (Tianjin) Industrial and Trading Co., Ltd[13] People's Republic of China Supply of valves and piping systems, and related accessories	**–**	55	**–**	55

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(1) Audited by RSM Chio Lim LLP

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

(3) 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.

(4) Not audited, as it is immaterial. The unaudited management financial statements at 31 December 2016 have been used for consolidation purposes.

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

(6) On 22 April 2016, a total of 499,999 ordinary shares of no par value were issued in Pan Asian Flow Technology Pte. Ltd. by way of capitalisation of loans payable to the Company amounting to $499,999.

(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.

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

(9) 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.

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

(11) On 20 February 2015, the liquidation proceedings for WDM was completed and accordingly de-consolidated during the reporting year ended 31 December 2015 (see Note 12A).

(12) On 13 October 2016, the Company incorporated a wholly-owned subsidiary, Pan Asian Investment Pte. Ltd. with paid up capital of $1.

(13) The subsidiaries have completed the deregistration with the relevant authority in Tianjin and Shanghai, People's Republic of China. (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

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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12A. Disposal of subsidiaries

2016

The subsidiaries, Pan Asian (Tianjin) Industrial and Trading Co., Ltd and Shanghai Ji Xin Flow Control Co., Limited were disposed on 9 March 2016 and 19 October 2016 respectively. (See Note 12[13]).

The results for the reporting year from the disposal of the subsidiary (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, for the reporting year ended 31 December 2016 were as follows:

	Group	
	At date of disposal in 2016 $'000	**At date of disposal in 2015 $'000**
Revenue	**–**	–
Expenses	**(1)**	(12)
Loss before tax and loss after tax before disposal loss	**(1)**	(12)
Presented as:		
(Losses)/gains on disposal of subsidiaries, net	**(22)**	–
Net loss on disposal	**(22)**	–

A net loss on disposal of $22,000 arose from the disposal 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 March 2016 and 31 October 2016 were used to determine the above loss on disposal of the subsidiaries.

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

	SHJX $'000	**PATJ $'000**	**Total $'000**
Cash and cash equivalents	41	–	41
Trade and other payables	(4)	–	(4)
Net carrying amount of assets disposed	37	–	37
Less: Non-controlling interest	(15)	–	(15)
Net assets disposed	22	–	22
Losses on disposal (Note 6)	(22)	–	(22)
Total consideration	–	–	–

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12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12A. Disposal of subsidiaries (Continued)

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

	SHJX $'000	PATJ $'000	Total $'000
Cash consideration	–	–	–
Cash and cash equivalents disposed of	(41)	–	(41)
Net cash outflow	(41)	–	(41)

2015

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

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 for the reporting year ended 31 December 2015 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
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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 for the reporting year ended 31 December 2015 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

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13. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Movements in carrying value:				
Balance at beginning of the year	**340**	242	**105**	105
Allowance for impairment	**(5)**	–	**(5)**	–
Share of (losses) profit for the year	**(163)**	98	**–**	–
Balance at end of the year	**172**	340	**100**	105
Carrying value:				
Unquoted equity share at cost	**198**	198	**149**	149
Allowance for impairment	**(5)**	–	**(49)**	(44)
Share of post-acquisition (losses) profit	**(21)**	142	**–**	–
	172	340	**100**	105
Movements in allowance for impairment:				
Balance at beginning of the year	**–**	–	**–**	–
Impairment loss charge to profit or loss in other losses (Note 6)	**(5)**	–	**(5)**	–
Balance at end of the year	**(5)**	–	**(5)**	–
Share of net book value of joint ventures	**7**	198	**7**	198

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	
	2016 %	2015 %
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
Duvalco Controls Company Limited[(1), (2)] Thailand Supply of piping systems, water tank system and related accessories	**49**	49

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**	
	2016	**2015**
	%	**%**
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. Malaysia Inactive (GEP Associates)	**50**	50

(1) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2016 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	
	2016	**2015**
	$'000	**$'000**
Assets	**827**	1,443
Liabilities	**813**	1,047
Revenue	**530**	1,755
Loss for the year	**(299)**	(104)

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 $158,000 (2015: 150,000) for the reporting year.

NOTES TO THE FINANCIAL STATEMENTS
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14. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Unquoted shares in a corporation, at cost(#)	**701**	701	**701**	701
Less allowance for impairment	**(701)**	(701)	**(701)**	(701)
At fair value at end of the year	**–**	–	**–**	–
Balance at end of the year	**–**	–	**–**	–

(#) 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 unquoted investments at cost less allowance with effect from 1 August 2015. Consequentially, the Group has de-consolidated PACO and DVC with effect from 1 August 2015 (Note 12A).

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	
	2016	2015
	$'000	$'000
Goodwill (Note 15A)	**–**	–
Other intangible assets (Note 15B)	**–**	–
Total intangible assets	**–**	–

15A. Goodwill

	Group	
	2016	2015
	$'000	$'000
Cost:		
Balance at beginning of the year	**–**	2,456
Write off	**–**	(2,456)
Balance at end of the year	**–**	–
Accumulated impairment:		
Balance at beginning of the year	**–**	(1,729)
Impairment loss charge to profit or loss included in other losses (Note 6)	**–**	(347)
Write off	**–**	2,076
Balance at end of the year	**–**	–
Net book value at end of the year	**–**	–

15. INTANGIBLE ASSETS (CONTINUED)

15A. Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The goodwill has been fully impaired during the reporting year ended 31 December 2015 and included under the "unallocated" operating segment.

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit 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 (collectively "PVT Group")

Following the disposal of PVT Group (see Note 12A), the net balance was recognised in the profit or loss under "gains on disposal of subsidiaries, net" (Note 6) during the reporting year ended 31 December 2015.

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

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 (Note 6) during the reporting year ended 31 December 2015.

15B. Other intangible assets

	Group	
	2016	**2015**
	$'000	**$'000**
Cost:		
At beginning of the year	**597**	597
Write-off	**(597)**	–
At end of the year	**–**	597
Accumulated amortisation:		
At beginning of the year	**597**	597
Write-off	**(597)**	–
At end of the year	**–**	597
Net book value:		
At beginning and end of the year	**–**	–

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16. LAND USE RIGHTS

	Group	
	2016	2015
	$'000	$'000
Cost:		
At beginning of the year	**2,989**	2,949
Foreign exchange adjustments	**(110)**	40
At end of the year	**2,879**	2,989
Accumulated amortisation:		
At beginning of the year	**1,518**	170
Amortisation for the year included in other losses (Note 6)	**60**	63
Impairment loss for the year included in other losses (Note 6)	**–**	1,300
Foreign exchange adjustments	**(56)**	(15)
At end of the year	**1,522**	1,518
Net book value:		
At beginning of the year	**1,471**	2,779
At end of the year	**1,357**	1,471

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 29.

In the reporting year ended 31 December 2015, the land use right was written down to its net realisable value based on management's estimate then. As further discussed in Note 29, the Group is exploring ways to recover this amount at the prevailing market value.

NOTES TO THE FINANCIAL STATEMENTS
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17. OTHER ASSETS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-current:				
Club memberships at cost	**105**	105	**105**	105
Less allowance for impairment	**(27)**	(27)	**(27)**	(27)
	78	78	**78**	78
Current:				
Advance payment to contractor	**–**	1,688	**–**	–
Less allowance for impairment	**–**	(667)	**–**	–
Prepayments	**819**	676	**61**	125
Deposits to secure services	**117**	168	**49**	103
	936	1,865	**110**	228
Movements in above allowance:				
Balance at beginning of the year	**694**	287	**27**	2
Charge to profit or loss included in other losses (Note 6)	**–**	408	**–**	25
Written off	**(667)**	–	**–**	–
Foreign exchange adjustments	**–**	(1)	**–**	–
Balance at end of the year	**27**	694	**27**	27

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 29 for further details. During the reporting year ended 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 accordingly, an additional impairment amounting to RMB1,745,000 or $383,000 was recognised in the profit or loss (included in other losses) during the reporting year ended 31 December 2015 to write down the carrying amount to the recoverable amount of RMB4,718,000. During the reporting year ended 31 December 2016, the Group has fully collected the recoverable amount from the contractor.

NOTES TO THE FINANCIAL STATEMENTS
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18. ASSET HELD FOR SALE UNDER FRS 105

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Asset held for sale:				
Investment held for disposal	–	120	–	120

The Company entered into a sale and purchase ("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, PVT was considered disposed in 2015 and the balance of 11.9% was presented as investment held for sale under "Asset held for sale under FRS 105" (see Note 12A). The entire sale was completed on 21 March 2016.

19. INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	**4,745**	4,979	**620**	1,522

Inventories are stated after allowance.

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Movements in allowance:				
Balance at beginning of the year	**1,006**	454	**801**	355
(Reversal)/charge to profit or loss included in other (gains)/losses (Note 6)	**(254)**	551	**(371)**	446
Charge to profit or loss included in cost of sales	**(313)**	–	**(144)**	–
Foreign exchange adjustments	**22**	1	**–**	–
Balance at end of the year	**461**	1,006	**286**	801
Changes in inventories of finished goods	**234**	2,133		
Cost of inventories sold recognised in cost of sales	**24,321**	30,983		

Certain inventories are pledged as security for trust receipts (see Note 24A).

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
Outside parties	**15,654**	16,208	**2,501**	8,997
Less allowance for impairment	**(851)**	(1,222)	**(284)**	(462)
Subsidiaries (Note 3D)	**–**	–	**3,202**	564
Less allowance for impairment	**–**	–	**(248)**	–
Related parties (Note 3D)	**199**	180	**31**	32
Trade receivables – subtotal	**15,002**	15,166	**5,202**	9,131
Other receivables:				
Subsidiaries (Note 3D)[a]	**–**	–	**6,814**	5,159
Less allowance for impairment	**–**	–	**(1,893)**	(1,979)
Related parties (Note 3D)	**291**	303	**291**	303
Less allowance for impairment	**(238)**	(150)	**(238)**	(150)
Tax recoverable	**74**	–	**–**	–
Outside parties	**1,721**	1,394	**940**	794
Less allowance for impairment	**(925)**	(877)	**(776)**	(724)
Other receivables – subtotal	**923**	670	**5,138**	3,403
Total trade and other receivables	**15,925**	15,836	**10,340**	12,534
Movements in allowance:				
Balance at beginning of the year	**2,249**	366	**3,315**	430
(Write-back)/allowance for impairment on trade receivables to profit or loss included in other (gains)/losses (Note 6)	**(95)**	1,097	**728**	2,109
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)	**–**	–
Provisions written off	**(129)**	–	**(604)**	–
Foreign exchange adjustments	**(11)**	4	**–**	–
Balance at end of the year	**2,014**	2,249	**3,439**	3,315

(a) The amount include loans to subsidiaries totalling $5,268,000 as at 31 December 2016 (2015: $3,726,000), which are unsecured, with a tenure of 6 months and subject to automatic rollover, and carry an interest at 3.0% to 5.0% (2015: 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.

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21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Not restricted in use	**4,822**	4,309	**1,634**	2,377

The interest earning balances are not significant.

21A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2016	2015
	$'000	$'000
Amount as shown above	**4,822**	4,309
Bank overdrafts	**–**	–
Cash and cash equivalents for statement of cash flows purposes at end of the year	**4,822**	4,309

21B. Non-cash transactions:

During the reporting year there were acquisitions of plant and equipment of $50,000 (2015: $Nil) acquired by means of finance leases.

22. SHARE CAPITAL

	Group and Company			
	2016	2016	2015	2015
	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.

22. 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	
	2016	**2015**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including finance leases	**1,887**	1,977
Less: cash and cash equivalents	**(4,822)**	(4,309)
Net debt	**(2,935)**	(2,332)
Adjusted capital:		
Total equity	**18,071**	18,952
Adjusted capital	**18,071**	18,952
Debt-to-adjusted capital ratio	**N.M.**	N.M.

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

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23. OTHER RESERVES

	Group	
	2016	**2015**
	$'000	**$'000**
Foreign currency translation reserve (Note 23A)	**115**	237
Statutory reserves (Note 23B)	**123**	103
Total at the end of the year	**238**	340

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

23A. Foreign currency translation reserve

	Group	
	2016	**2015**
	$'000	**$'000**
Balance at beginning of the year	**237**	(35)
Exchange differences on translating foreign operations	**(122)**	272
Balance at end of the year	**115**	237

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

23B. Statutory reserves

	Group	
	2016	**2015**
	$'000	**$'000**
Balance at beginning of the year	**103**	82
Transfer from retained earnings	**20**	21
Balance at end of the year	**123**	103

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.

24. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current:				
Financial instruments with fixed interest rates:				
Finance leases (Note 24C)	**81**	145	**81**	145
Total non-current portion	**81**	145	**81**	145
Current:				
Financial instruments with floating interest rates:				
Bank loans (Note 24B)	**–**	648	**–**	–
Trust receipts for purchase of inventories (Note 24A)	**1,760**	1,107	**1,760**	1,107
Financial instruments with fixed interest rates:				
Finance leases (Note 24C)	**46**	77	**46**	77
Total current portion	**1,806**	1,832	**1,806**	1,184
Total non-current and current	**1,887**	1,977	**1,887**	1,329
The non-current portion is repayable as follows:				
Due within two to five years	**81**	145	**81**	145
Total non-current portion	**81**	145	**81**	145

All the amounts are at floating interest rates except for finance leases that are on fixed interest rates (see Note 24C). The range of floating interest rates paid were as follows:

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Bank loans	**5.50**	2.27 to 8.00	**–**	2.27 to 3.24
Bank overdrafts	**–**	5.00	**–**	5.00
Trust receipts for purchase of inventories	**1.78 to 3.25**	2.14 to 3.15	**1.78 to 3.25**	2.14 to 3.15

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 (2015: six months).

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

NOTES TO THE FINANCIAL STATEMENTS
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24. OTHER FINANCIAL LIABILITIES (CONTINUED)

24A. Trust receipts for purchase of inventories

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

24B. Bank loans

The bank loans are secured and covered by:

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

The facility 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 indicated in Note 27, the Company proposed a final dividend of 0.5 cents per share for the reporting year ended 31 December 2015 which was approved and paid in 2016. This 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.

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 of $737,000. 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.

24C. Finance leases

Group

	Minimum payments $'000	Finance charges $'000	Present value $'000
2016			
Minimum lease payments payable:			
Due within one year	**50**	**(4)**	**46**
Due within two to five years	**84**	**(3)**	**81**
Total	**134**	**(7)**	**127**
2015			
Minimum lease payments payable:			
Due within one year	87	(10)	77
Due within two to five years	153	(8)	145
Total	240	(18)	222

24. OTHER FINANCIAL LIABILITIES (CONTINUED)

24C. Finance leases (Continued)

Company

	Minimum payments $'000	Finance charges $'000	Present value $'000
2016			
Minimum lease payments payable:			
Due within one year	**50**	**(4)**	**46**
Due within two to five years	**84**	**(3)**	**81**
Total	**134**	**(7)**	**127**
2015			
Minimum lease payments payable:			
Due within one year	87	(10)	77
Due within two to five years	153	(8)	145
	240	(18)	222

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $243,000 (2015: $452,000) and $243,000 (2015: $452,000) 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 2016, the rate of interest for finance leases ranges from 2.3% to 3.5% (2015: 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).

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25. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**9,629**	9,978	**1,953**	5,213
Related parties	**362**	1,029	**4**	473
Subsidiaries	**–**	–	**503**	564
Trade payables – subtotal	**9,991**	11,007	**2,460**	6,250
Other payables:				
Outside parties	**847**	902	**111**	125
Ultimate parent company (Note 3D)	**1,785**	1,830	**1,785**	1,830
Related parties (Note 3D)	**53**	53	**53**	53
Subsidiaries (Note 3D)	**–**	–	**–**	213
Advances received from customers	**1,004**	478	**32**	60
Other payables – subtotal	**3,689**	3,263	**1,981**	2,281
Total trade and other payables	**13,680**	14,270	**4,441**	8,531

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

26A. 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	**4,822**	4,309	**1,634**	2,377
Loans and receivables	**15,925**	15,836	**10,340**	12,534
At end of the year	**20,747**	20,145	**11,974**	14,911
Financial liabilities:				
Other financial liabilities at amortised cost	**1,887**	1,977	**1,887**	1,329
Trade and other payables at amortised cost	**13,680**	14,270	**4,441**	8,531
At end of the year	**15,567**	16,247	**6,328**	9,860

Further quantitative disclosures are included throughout these financial statements.

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26B. 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.

26C. 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.

26D. 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.

NOTES TO THE FINANCIAL STATEMENTS

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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26D. Credit risk on financial assets (Continued)

Note 21 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 (2015: 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables:				
31 to 60 days	**2,610**	1,103	**246**	450
61 to 90 days	**1,512**	2,248	**58**	704
91 to 120 days	**1,295**	762	**–**	426
Over 120 days	**5,614**	3,489	**1,720**	2,304
Total	**11,031**	7,602	**2,024**	3,884

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

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 120 days	**851**	1,222	**532**	462

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 the reporting year. These are not secured.

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

– 32% (2015: 35%) of the Group's trade receivables were due from two major customers.
– 63% (2015: 53%) 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.

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26E. Liquidity risk – financial liabilities maturity analysis

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

	Less than one year $'000	One to five years $'000	Total $'000
Group			
Non-derivative financial liabilities:			
2016:			
Other financial liabilities	**1,810**	**84**	**1,894**
Trade and other payables	**13,680**	**–**	**13,680**
At end of the year	**15,490**	**84**	**15,574**
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
Company			
Non-derivative financial liabilities:			
2016:			
Other financial liabilities	**1,810**	**84**	**1,894**
Trade and other payables	**4,441**	**–**	**4,441**
At end of the year	**6,251**	**84**	**6,335**
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

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 28).

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 (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS
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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26F. 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial liabilities with interest:				
Fixed rate	**127**	222	**127**	222
Floating rate	**1,760**	1,755	**1,760**	1,107
Total at end of the year	**1,887**	1,977	**1,887**	1,329

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.

26G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Australian Dollars $'000	Total $'000
Group					
2016:					
Financial assets:					
Cash	**115**	**497**	**171**	**–**	**783**
Receivables	**63**	**104**	**122**	**82**	**371**
Total financial assets	**178**	**601**	**293**	**82**	**1,154**
Financial liabilities:					
Payables	**605**	**350**	**1,317**	**–**	**2,272**
Total financial liabilities	**605**	**350**	**1,317**	**–**	**2,272**
Net financial (liabilities) assets at end of the year	**(427)**	**251**	**(1,024)**	**82**	**(1,118)**

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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26G. Foreign currency risks (Continued)

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Malaysian Ringgit $'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)

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Total $'000
Company				
2016:				
Financial assets:				
Cash	**19**	**465**	**71**	**555**
Receivables	**46**	**104**	**2**	**152**
Total financial assets	**65**	**569**	**73**	**707**
Financial liabilities:				
Payables	**221**	**343**	**39**	**603**
Total financial liabilities	**221**	**343**	**39**	**603**
Net financial asset (liabilities) at end of the year	**(156)**	**226**	**34**	**104**

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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26G. Foreign currency risks (Continued)

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Australian Dollar $'000	Malaysian Ringgit $'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

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

Sensitivity analysis:

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'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	**(8)**	–	**–**	(46)
– Euro	**102**	47	**(3)**	(161)
– Malaysian Ringgit	**–**	2	**–**	1
– Sterling Pound	**(25)**	5	**(23)**	(16)
– US Dollars	**43**	198	**16**	211

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISK (CONTINUED)

26G. Foreign currency risks (Continued)

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.

27. DIVIDENDS ON EQUITY SHARES

	Rate per share – cents		Group and Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Final tax exempt (one-tier) dividend paid	**0.5**	–	**1,071**	–

The final tax exempt (one-tier) dividend in respect of all ordinary shares proposed for 2015 was approved by the members in the annual general meeting and paid in 2016.

28. CONTINGENT LIABILITIES

	Company	
	2016	2015
	$'000	$'000
Undertaking to support subsidiaries with deficits	**1,851**	1,851
Bank guarantee in favour of subsidiaries (Note 3)	**1,306**	1,216
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.

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29. 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.

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% on the total purchase consideration per day.

Prior to 30 June 2015, the Group obtained a series of extensions from local authorities for the development on the land to be completed by 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.

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 total purchase consideration per day imposed per the terms of the original agreement amounts to $78,000 and $154,000 for the reporting years ended 31 December 2015 and 31 December 2016 respectively.

The Group plans to recover the amount paid through the transfer of the LURs to a third party subject to the approval of the relevant authority. The group is seeking assistance from a local authority to help identify a third party to transfer its interest in and obligations under the LURs agreements at the prevailing market value. If the Group is successful in this, there may be upward adjustments to the recoverable values.

There is uncertainty over the success of withdrawal from transferring its interest in and the obligations under 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 $1,357,000 as at 31 December 2016 (see Note 16).

NOTES TO THE FINANCIAL STATEMENTS

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30. 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Not later than one year	**261**	101	**–**	–
Later than one year and not later than five years	**24**	–	**–**	–
	285	101	**–**	–
Rental expense for the year	**977**	751	**146**	326

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 3 months to 3 years (2015: 6 months to 3 years).

31. EVENTS AFTER THE END OF THE REPORTING YEAR

Incorporation of subsidiary

On 3 March 2017, the Company incorporated a wholly-owed subsidiary, Sacha Inchi Pte Ltd with a paid up share capital of $1.

32. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Financial Reporting Standards in Singapore 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
FRS 110 & 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations

NOTES TO THE FINANCIAL STATEMENTS

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

For the future reporting years new or revised Financial Reporting Standards in Singapore 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 7	Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019

STATISTIC OF SHAREHOLDINGS

AS AT 20 MARCH 2017

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	10	0.91	57	0.00
100 – 1,000	365	33.21	363,024	0.17
1001 – 10,000	415	37.76	2,064,332	0.96
10,001 – 1,000,000	298	27.12	26,316,685	12.29
1,000,001 & ABOVE	11	1.00	185,457,938	86.58
TOTAL	1,099	100.00	214,202,036	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2017

NO.	NAME OF SHAREHOLDINGS	NO. OF SHARES	%
1	XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
2	KOH CHIN HWA	4,550,000	2.12
3	TAN KIM TEE	3,001,000	1.40
4	DBS NOMINEES PTE LTD	2,525,238	1.18
5	CHENG YUN CHIANG STEVE	2,172,400	1.01
6	GOH BOON KOK	2,150,000	1.00
7	RAFFLES NOMINEES (PTE) LTD	1,548,800	0.72
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,252,000	0.58
9	TAN WIC KI	1,077,000	0.50
10	KOH AH LECK	1,038,000	0.48
11	KOH HOO KWEE	1,006,000	0.47
12	CHIU KIM WAH (ZHAO JINHUA)	1,000,000	0.47
13	KOH GUAT YING BETTY	999,000	0.47
14	ONG HOCK HAI	903,000	0.42
15	TAN THIAN TIN	781,000	0.36
16	YAP CHING SEOW	615,000	0.29
17	LAU CHAN @ LUA CHAN	600,000	0.28
18	TAN JUI YAK	579,000	0.27
19	HENG THENG LIAN (WANG CHENGLIANG)	515,338	0.24
20	LEE CHEE KWAN	513,000	0.24
	TOTAL	191,963,276	89.59

STATISTIC OF SHAREHOLDINGS

AS AT 20 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2017
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 Koh 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 20 March 2017, approximately 21.91% 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.

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, 28 April 2017 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Richard Koh Chye Heng, who is retiring pursuant to Article 107 of the Constitution. **(Resolution 2)**

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

   Mr Wu Yu Liang will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. The Board considers Mr Wu Yu Liang to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Save as disclosed herein, Mr Wu does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code of Corporate Governance 2012 (the "Code")). The detailed information of Mr Wu can be found under the section entitled Board of Directors in page 9 of the Annual Report.

4. To approve Directors' fees of S$137,000 for the financial year ending 31 December 2017 to be paid half yearly in arrears (2016: S$137,000). **(Resolution 4)**

5. To re-appoint RSM Chio Lim LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

6. Authority to allot and issue shares and convertible securities

(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: **(Resolution 6)**

(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.

NOTICE OF ANNUAL GENERAL MEETING

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

(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)

7. 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

13 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Resolution 6, 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.

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. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (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.

2. A proxy need not be a member of the Company.

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

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407, not less than forty-eight (48) hours before the time set for the Meeting.

Personal data privacy:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member'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 (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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 member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member 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.

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PAN ASIAN HOLDINGS LIMITED

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

PROXY FORM

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy Pan Asian Holdings Limited's shares, this Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. 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.
4. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2017.

*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)				

or failing *him/them, the Chairman of the Meeting 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, 28 April 2017 at 9.30 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.	Resolutions	For	Against
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 and the Auditors' Report thereon		
2.	Re-election of Mr Richard Koh Chye Heng as Director		
3.	Re-election of Mr Wu Yu Liang as Director		
4.	Approval of Directors' Fees of $137,000 for the financial year ending 31 December 2017		
5.	Re-appointment of RSM Chio Lim LLP as Auditors		
6.	Approval for Directors to issue shares and convertible securities		

* Delete accordingly

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 ____________________ 2017

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. 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. If no number of shares is inserted, this proxy form will be deemed to relate to all the shares held by you.

2. (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. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (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. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

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

3. A proxy need not be a member of the Company.

4. The Company shall be entitled: (a) to reject any instrument of proxy executed by a Depositor if the Depositor's name does not appear in the Depository register seventy-two (72) hours prior to the commencement of the relevant Meeting as certified by The Central Depository (Pte) Ltd ("CDP") to the Company; and (b) for the purpose of a poll, to treat an instrument of proxy executed by a Depositor as representing the number of shares equal to the number of shares appearing against his name in the Depository Register referred to in (a) above, notwithstanding the number of shares actually specified in the relevant instrument of proxy.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 2 Kallang Avenue, CT Hub, #05-19, Singapore 339407, not less than forty-eight (48) hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its representative or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must be lodged with the instrument of proxy, failing which, the instrument may be treated as invalid.

7. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject any instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.