PAN ASIAN HOLDINGS LIMITED
百益勝控股有限公司

SUSTAINABLE SOLUTIONS

Annual Report 2017

TABLE OF CONTENT

*This annual report has been prepared by the Company and reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this 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 Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

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.

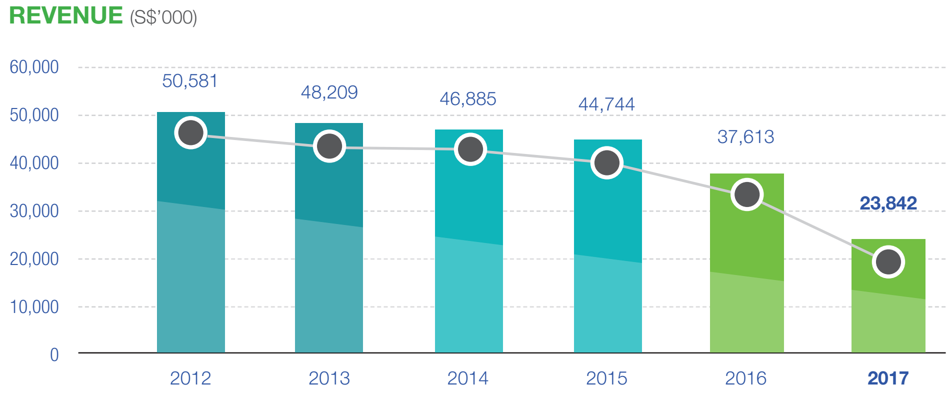
Hong Kong-Macau Bridge project – supplied of ductile iron pipes, ductile iron fittings, valves, couplings, flange adaptors and expansion joints

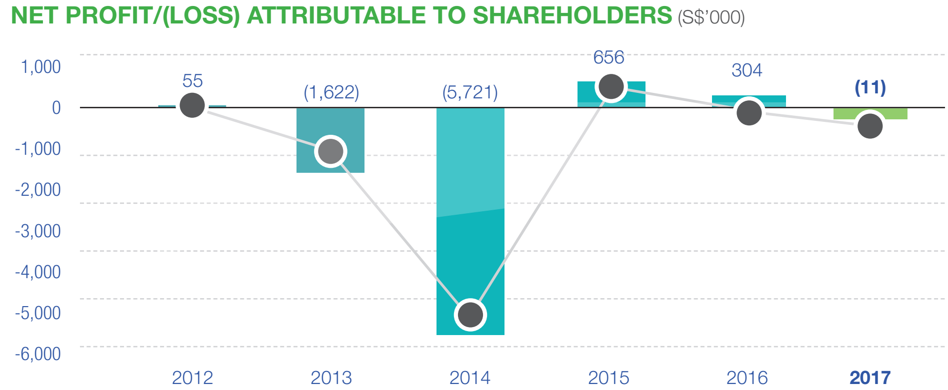
Lamma Island Power Plant – supplied of flexible joints

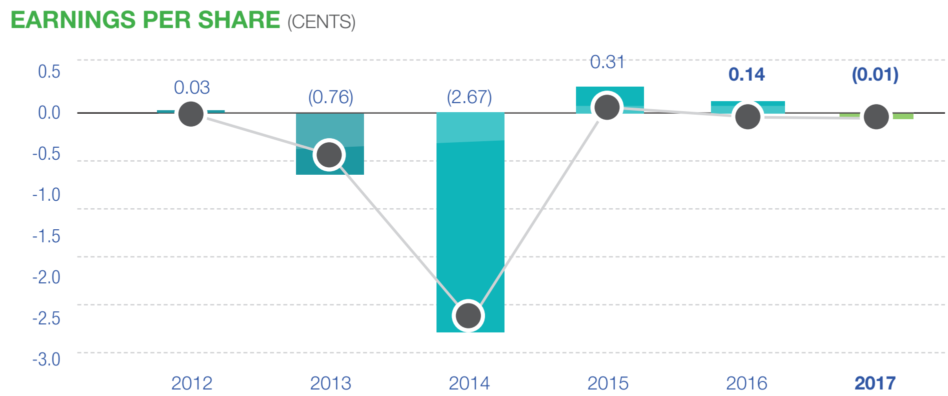
OUR VISION

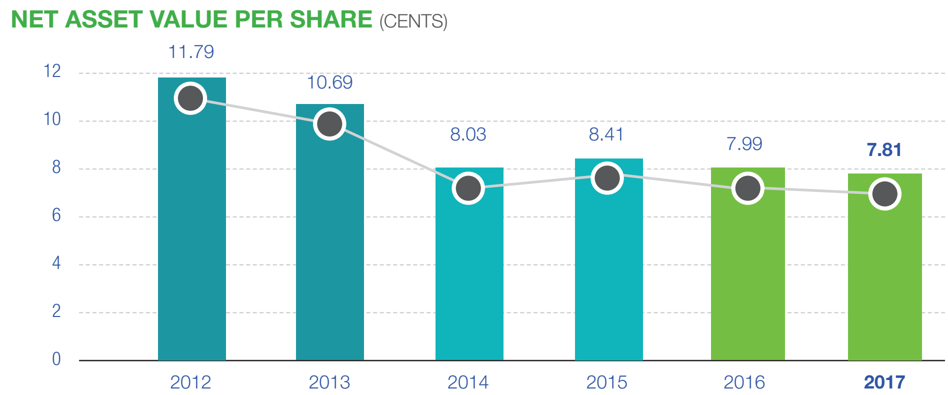
To seek and provide innovative, dynamic, reliable and competitive solutions to the entire aspect of the water cycle.

FINANCIAL HIGHLIGHTS









CORPORATE PROFILE

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

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

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

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

RICHARD KOH CHYE HENG
EXECUTIVE CHAIRMAN
Pan Asian Holdings Limited

Chairman's Statement

DEAR VALUED SHAREHOLDER,

On behalf of the Board of Directors, I am pleased to present to you Pan Asian Holdings Limited's ("PAHL" or together with its subsidiaries, the "Group") annual report for the financial year ended 31 December 2017 ("FY2017").

YEAR IN REVIEW

FY2017 continued to be a challenging year for Pan Asian Holdings Limited.

Our key projects were progressing slower than expected. And we continued to face downward price pressure from competition within the industry.

The Group recorded a revenue of $23.8 million in FY2017, a decrease of 36.6% compared to previous financial year. Net profit after income tax was also lower at $136,000.

STRENGTHENING OUR FOUNDATIONS

Through focusing on key businesses and continuous review of key operations, we had identified and improvised our operational weaknesses. We had since upgraded our Information Technology system to enable us to operate with increased efficiency and accuracy.

We had also started our construction of a new plant located at Tuas South Link 3 with expected completion by the first quarter of 2019. Upon completion, the premises will serve as the Group's headquarters and logistic centre to its operations in Singapore.

STRENGTHENING OUR CORE BUSINESS

Pipes, valves and fittings continue to be our core businesses. We continue to emphasis heavily on market exploration and development in these products.

Exclusivity in Duvalco's brand of valves has always been the Group's strength and advantage in the market. We believe our focus and efforts in Duvalco could potentially lift the Group to a higher level.

We are also the representative to a spectrum of specialised equipment for water infrastructure industry.

Developing agency relationships for innovative products has always been our strategy to position ourselves for opportunities to come.

OUTLOOK

As at end February 2018, our order book stand at $12.6 million.

The uncertainty in the global economy continue to be challenging.

We nevertheless are optimistic with the developments of infrastructure projects in the ASEAN region particularly in Singapore, Hong Kong, and Malaysia.

Our involvement in Public Utilities Board ("PUB")'s Deep Tunnel Sewerage System Phase 2 Project (DTSS 2) is progressing well. We foresee that the same technology we are supplying for DTSS 2 could lead to many more opportunities in the region.

Within Singapore, we remain optimistic of our projects, including Deep Tunnel Sewerage System projects with the PUB, which is progressing well. The technology used in the project is expected to lead to more project opportunities in the region where in particular, our Hong Kong and Malaysia markets shows great potential. We are ready to tap on any opportunities that may arise.

SUSTAINABILITY

Pan Asian recognises that embracing sustainable practices is a key priority that is important for the long-term development and success of the Group's business. It will publish its standalone FY2017 Sustainability Report not later than 31 December 2018 and the same will be uploaded at the Company's website at http://www.panasian.com.sg/ as well as on SGXNET.

ACKNOWLEDGEMENTS

To the many stakeholders of PAHL, I thank you for your support and belief in us.

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

To the management and staff of the Group, our journey to growth would not be possible without you, I thank you for your hard work and contributions.

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: 28 April 2017

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.

THOMAS LAM KWONG FAI
Lead Independent Director

Date of appointment: 31 October 2017

Mr Lam is the CEO of 3 Peaks Capital Private Limited, a boutique corporate finance advisory firm providing Catalist continuing sponsorship services, corporate governance advisory, financial advisory for equity and debt fund raising, financial advisory for corporate actions and independent financial advisory opinions. He started his career as a regulator before moving into investment banking with HL Bank and Genesis Capital Pte Ltd handling a variety of IPO and other corporate actions. He then moved into Catalist regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. In his various capacities, he has amassed over 10 years of experience in the Singapore corporate finance scene. Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

He is also an independent director of Medtecs International Corporation Limited, which is listed on the SGX-ST.

WU YU LIANG
Independent Non-Executive Director

Date of appointment: 20 March 2009
Date of last re-appointment: 28 April 2017

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

CHEW KHONG YUEN

Group Financial Controller

Mr Chew was appointed to the position of Group Financial Controller on 5 December 2017. He is responsible for all financial, administrative and information technology matters for the Group. He has over 20 years of working experience in accounting and financial management in various public listed companies. Mr Chew holds a Bachelor of Commerce (Finance) from the Flinders University of South Australia and is a member of CPA Australia.

SINGAPORE OFFICE

KELLY KOH MEE LIN

Managing Director
(Pan Asian Flow Technology Pte Ltd)

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

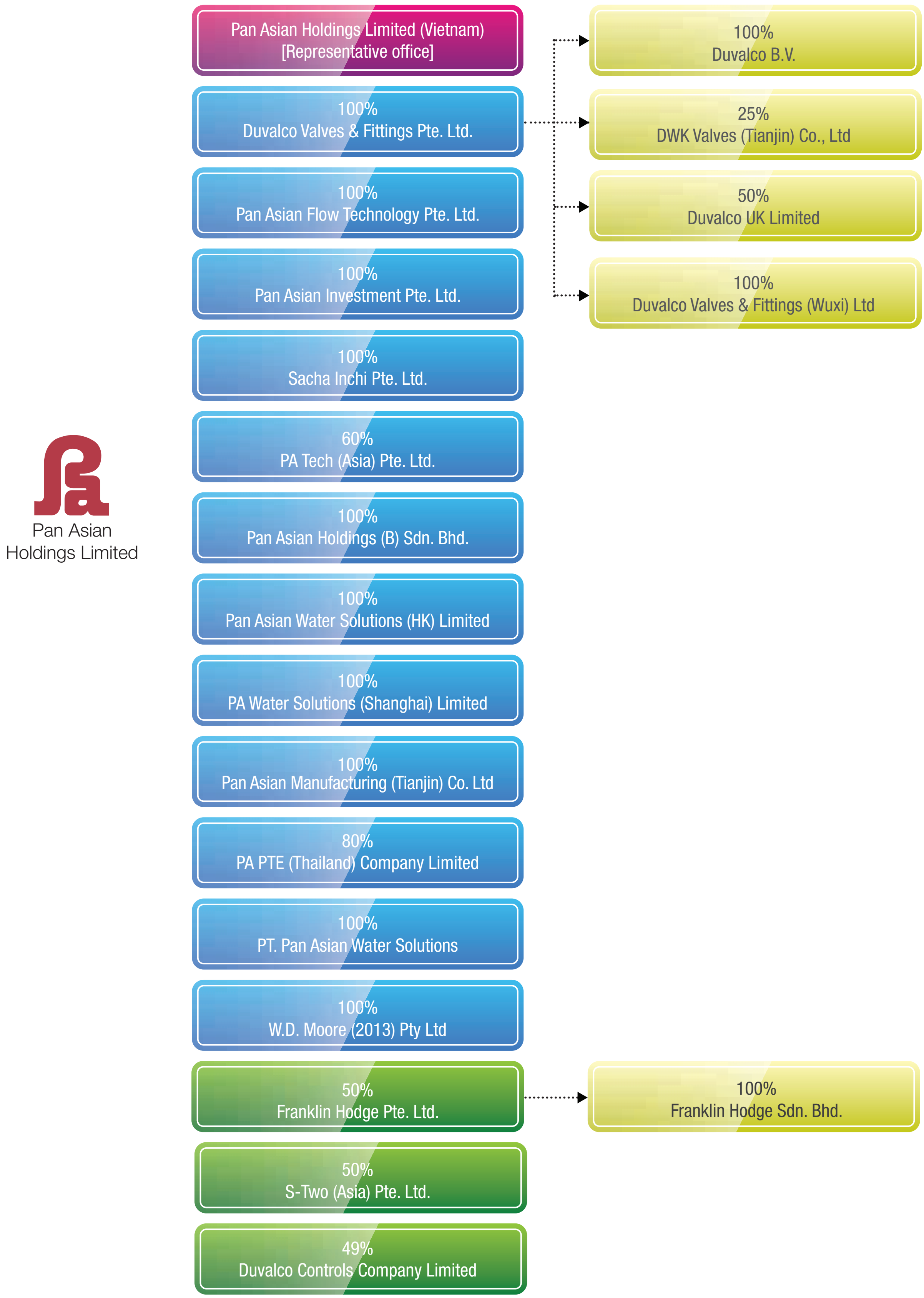
HARVEY KWAN KOON HO

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



Corporate Information

BOARD OF DIRECTORS

Richard Koh Chye Heng Executive Chairman
Koh Eddie Managing Director cum Chief Executive Officer
Thomas Lam Kwong Fai Lead Independent Director
Wu Yu Liang Independent Director
Indriati Khoe Non-Executive Director

NOMINATING COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

REMUNERATION COMMITTEE

Wu Yu Liang Chairman
Thomas Lam Kwong Fai
Indriati Khoe

AUDIT COMMITTEE

Thomas Lam Kwong Fai 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

Bank of China Limited
4 Battery Road
Bank of China Building
Singapore 049908

Operations & Financial Review

INCOME STATEMENT

REVENUE

In FY2017, the Group registered a decrease of 36.6% in revenue to S$23.8 million.

This was mainly attributable to decrease of revenue in Singapore entities (S$9.7 million), China entities (S$5.7 million) and Europe entity (S$0.5 million). The decrease is offset by the increase in sales in Hong Kong's entity amounting to S$2.2 million.

GROSS PROFIT

Gross profit decreased from S$9.0 million in FY2016 to S$7.4 million in FY2017, though gross margin in FY2017 at 30.8% is higher than 24.0% in FY2016 due to increased efforts to focus on higher gross margin sales.

EXPENSES

Our marketing and distribution costs decreased by S$1.0 million or 24.3% from S$4.4 million in FY2016 to $3.4 million in FY2017. This was mainly attributable to the reduction in: payroll expenses of S$0.3 million, incentive expense of S$0.1 million in line with lower sales, travelling expenses of $0.1 million, expenses with respect to testing and inspection of S$0.1 million, transport expense of S$0.1 million and rental expense of S$0.1 million.

Administrative expenses also decreased by S$0.8 million or 19.6% to S$3.4 million in FY2017 from S$4.2 million in FY2016. This was largely attributable to lower payroll expenses of $0.4 million due to lower headcount as a result of the disposal of a China subsidiary, and lower legal and professional expenses of S$0.2 million.

Finance costs remained the same as FY2016.

OTHER LOSSES

Other losses increased by S$0.2 million to S$0.3 million in FY2017 from S$0.1 million in FY2016, largely due to impairment of receivables of S$0.03 million, sundry expense of S$0.04 million, loss on corporate guarantee to former subsidiary of S$0.1 million, and foreign exchange adjustment losses of S$0.04 million.

SHARE OF (LOSS)/PROFIT FROM EQUITY-ACCOUNTED JOINT VENTURES AND ASSOCIATES

Losses of joint ventures and associates totalled S$0.04 million in FY2017, a reduction of S$0.12 million from S$0.16 million in FY2016 due to lower loss recorded in the entities.

INCOME TAX EXPENSE

The Group's income tax expense increased by S$0.05 million to S$0.37 million in FY2017 from S$0.32 million. Despite lower total revenue and profit reported by the Group, a small number of overseas entities had recorded high profits. This resulted in higher tax expenses to the Group as compared to the previous financial year.

PROFIT AFTER TAX

As a result of the above, the Group recorded a profit after tax of S$0.1 million in FY2017, a decrease of 59.6% from S$0.3 million in FY2016.

FINANCIAL POSITION

Total assets decreased from $33.9 million in FY2016 to $24.5 million in FY2017. This was mainly attributable to decrease in inventories and receivables, which were in line with lower revenue.

Non-current assets increased by S$1.3 million to S$8.8 million as at 31 December 2017, largely due to the increase in property, plant and equipment and investment in associates of S$1.4 million offset by disposal in a subsidiary's assets in China as well as amortisation of land use rights.

Current assets decreased by S$10.7 million to S$15.7 million as at 31 December 2017. The decrease was mainly attributable to decrease in inventory, trade receivables, other receivables of S$10.7 million, a reduction of cash and cash equivalent of S$1.0 million, offset by increase in asset held for sale of S$1.2 million which comprised of properties in Singapore and overseas.

Current liabilities decreased by S$9.8 million to S$5.9 million as at 31 December 2017. This was mainly attributable to decrease in trade and other payables as well as decrease in other financial liabilities.

Non-current liabilities increased by S$1.8 million, mainly attributable to the term loan acquired for purchasing of land for construction of new plant and office at Tuas South.

STATEMENT OF CASH FLOW

Overall, the Group recorded a net decrease in cash and cash equivalents of S$1.0 million, from S$4.8 million as at 31 December 2016 to S$3.9 million as at 31 December 2017. This is mainly attributable to the cash flow from operating activities of S$1.3 million, and financing activities of S$0.2 million, offset by the cash flow used in investing activities of S$2.2 million.

Operating activities recorded a net cash inflow of S$1.3 million mainly due to the profit recorded for the year, aided by the cash inflow generated from trade and other receivables of S$4.6 million, other assets of S$0.2 million, and inventories of S$0.4 million. Offset by the cash outflow to trade and other payables of S$4.9 million.

Investing activities' net cash outflow of S$2.2 million was mainly due to purchase of land and equipment, offset by disposal of subsidiary.

Financing activities recorded a net cash inflow of S$0.2 million mainly due to net increase in borrowing during the financial year, offset by repayment of bank borrowings.

SEGMENTAL PERFORMANCE

The Portable Water segment remained the largest business segment for the Group, contributing to 48.8% of the Group's revenue. Revenue from the Waste Water segment increased by S$0.47 million to $0.5 million during the year.

Geographically, Singapore remained the largest contributor to Group revenue at $10.2 million and its share of revenue decreased from 45.0% to 42.7%. The increase in revenue contributed by Singapore was in line with the increased projects undertaken during the year.

Hong Kong-Macau Bridge project – supplied of ductile iron pipes, ductile iron fittings, valves, couplings, flange adaptors and expansion joints

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 activities that were in place for the financial year ended 31 December 2017 ("**FY2017**"), 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 is generally in compliance with the principles and guidelines set out in the Code and the Guide. Where there are deviations from the Code and Guide, the Board of Directors (the "**Directors**") has considered the alternative practices adopted are sufficient to meet the underlying objectives of the Code and Guide. Appropriate explanations have been provided in the relevant sections where there were deviations.

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.

As at date of this report, the Board comprises five directors, two of whom are Independent Directors. The Board consists of:

Richard Koh Chye Heng	Executive Chairman
Koh Eddie	Managing Director cum Chief Executive Officer
Lam Kwong Fai	Lead Independent Director (appointed on 31 October 2017)
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

Key information regarding the Directors is provided in the section on "Board of Directors" of this annual report.

The Company is headed by its Board comprising entrepreneurs and professionals from various disciplines. All Directors recognise that they have to discharge their duties and responsibilities in the best interests of the Company. 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 board committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), 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 S$100,000 for unbudgeted expenditures and S$250,000 for budgeted expenditures;

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

(g) the interested person transactions of the Group;

(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 approval of remuneration packages of key executives of the Company recommended by the RC;

(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.

Corporate Governance Statement

The attendance record of the Directors at the Board and Committee meetings for FY2017 is 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[(1)]	1	1	1	1
Lam Kwong Fai[(2)]	1	1	NA	NA
Wu Yu Liang	3	3	1	1
Indriati Khoe	3	3	1	1

Notes:
(1) Mr Goh Boon Kok resigned as Independent Director of the Company on 1 August 2017.
(2) Mr Lam Kwong Fai was appointed as Independent Director of the Company on 31 October 2017.
NA – Not applicable

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 additional 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 decisions.

All Board appointments are made based on merit, in the context of skills, experience, core competencies, independence and other relevant factors, having due regard for the benefits of diversity on the Board and the contribution that the selected candidates will bring to the Board.

During the financial year, Mr Lam Kwong Fai was appointed as new director of the Company.

All newly appointed 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. The Company provides a formal letter to newly appointed directors upon their appointment setting out their statutory duties and responsibilities as directors. 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 Sponsor, auditors, Company Secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing manuals, regulations and accounting standards.

Corporate Governance Statement

During the year, Mr. Lam Kwong Fai has attended the following training programmes:

Programmes	**Organised By**
SGX Sustainability Report	SGX
Singapore Budget Seminar	Moore Stephens Singapore

During FY2017, 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.

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 two Executive Directors, two Independent Directors and one Non-Executive Director.

The criteria of independence are 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 NC annually, in accordance with the Code's definition of independence. For FY2017, the NC has reviewed and is satisfied that the Independent Directors are independent and further, that no individual or small group of individuals dominate the Board's decision making process.

There are no Directors who are 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.

Where there is such director serving as an independent Director for more than nine years, the Board will do a rigorous review of his continuing contribution and independence. Mr. Wu Yu Liang has served on the Board as Independent Director for more than nine years. During its review, the NC considered and noted that notwithstanding that Mr. Wu has served the Board for more than nine years, Mr. Wu's independence as a Director is not affected as he continues to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at Board and Board Committee meetings. By diligently discharging his duties and exercising sound independent business judgement, he has exhibited a strong spirit of professionalism which did not diminish with time.

After taking into account the NC's recommendation, the Board has considered and determined that Mr. Wu continues to be regarded as independent, notwithstanding having served more than 9 years. He has abstained from the NC's and Board's determination of his independence.

CORPORATE GOVERNANCE STATEMENT

The Board also recognises that Independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contribution to the Board as a whole.

Guideline 2.1 of the Code is met as more than one-third of the Board is independent. The Board acknowledges that under Guideline 2.2 of the Code, the independent directors should make up at least half of the Board when the Chairman and the Chief Executive Officer are immediate family members as well as when the Chairman is part of the management team and not independent.

The Board, after review, is of the opinion that, notwithstanding that the Independent Directors do not make up at least 50% of the Board, 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, experience and gender. Details of which are set out below:

	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 NC 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 balance and diversity of the Board.

The Board members provide a range of core competencies in accounting, finance, legal, business management experience and expertise as well as industry knowledge that would provide effective directive 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.

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 Non-Executive Directors have met 1 time in the absence of the Management during the financial year in review.

Corporate Governance Statement

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 Chairman and Chief Executive Officer of the Company are undertaken by separate persons 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. Guided by the Chairmen of the respective committees, Group Financial Controller and the Company Secretary, the Executive Chairman is responsible 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.

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 of the opinion that there is no concentration of power as the Group is managed objectively on a transparent basis and taking into account the current corporate structure and the scope of the Group'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 influence.

Mr Lam Kwong Fai 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 is responsible for leading the meetings of Independent Directors without presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

Corporate Governance Statement

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

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Indriati Khoe	Non-Executive Director

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

The terms of reference of the NC 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 review and recommend the Board on the re-nomination of incumbent Directors having regard to the Director's contribution and performance;

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

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

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

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

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

Corporate Governance Statement

There are two Directors who have other listed company board representations. The NC is of the view that despite some of the Directors having multiple board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. As time requirement of each director is subjective, the NC 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 NC would review the board representations of each Director, from time to time to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The NC 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 FY2017.

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 NC establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC reviews the range of expertise, skills and attributes of the Board and the composition of the Board. The NC then identifies the Company's needs and prepares a shortlist of candidates with the appropriate profile for nomination or re-nomination. The NC takes factors such as attendance, preparedness, participation and candour into consideration when evaluating the past performance and contributions of a Director when making its recommendations to the Board. However, the renomination or replacement of a Director does not necessarily reflect the Director's performance or contributions to the Board. When deciding on the appointment of new Directors to the Board, the NC and the Board consider a variety of factors.

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

Accordingly, the NC has assessed and recommended to the Board, and the Board has endorsed the re-elections of Mr Koh Eddie, Ms Indriati Khoe and Mr Lam Kwong Fai, who have offered themselves for re-election as a Director of the Company by Shareholders at the forthcoming annual general meeting.

Ms Indriati Khoe will, upon re-election as Director of the Company, remain as member of the AC, NC and RC. 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. She is considered a non-executive and non-independent Director for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

Mr Lam Kwong Fai will, upon re-election as Director of the Company, remain as Chairman of the AC and a member of the NC and RC. The Board considers Mr Lam Kwong Fai to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Save for those disclosed in this report, none of other Directors have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders, could interfere or to be reasonably perceived to interfere with the exercise of independent judgments.

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/ Re-appointment as Director	Directorship in Other Listed Companies		Principal Commitments
		Current	Past 3 Years	
Richard Koh Chye Heng (Executive Chairman)	26 May 2008/ 28 April 2017	–	–	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
Lam Kwong Fai (Lead Independent Director)	31 October 2017/ –	Medtecs International Corporation Limited	–	3 Peaks Capital Private Limited Medtecs (Asia Pacific) Pte Ltd. Zenith Distribution LLP
Wu Yu Liang (Independent Director)	20 March 2009/ 28 April 2017	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

Currently, no alternate director has been appointed in respect of any of Directors.

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 NC 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.

The NC also decides on 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. 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 FY2017, the NC did not propose any changes to the performance criteria for FY2017 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.

During the year, the NC has assessed the effectiveness of the Board, Board Committee and individual Directors. As part of the process, the Directors individually completes appraisal forms which are collated by the Company Secretary. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes its recommendations to the Board.

The NC has reviewed and is satisfied 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 objectives. All NC 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 3 times a year)
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

The 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.

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.

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 Company Secretary assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. She attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is also responsible for, among others, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Catalist Rules of the SGX-ST, are complied with. 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 RC comprises the following members:

Wu Yu Liang	Chairman and Independent Director
Lam Kwong Fai	Lead Independent Director
Indriati Khoe	Non-Executive Director

Corporate Governance Statement

All RC members are Non-Executive Directors, two out of three of whom, including the Chairman of the RC, are Independent Directors. The RC has experience in the field of executive compensation. The RC 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 RC 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 RC has adopted written terms of reference that defines its membership, roles and functions and administration.

The terms of reference of the RC 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 RC 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 long term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind. The RC'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/her own remuneration. The payment of Directors' fees is subject to the approval of Shareholders. The RC's role also includes the review of Executive Directors and key executives' contracts during termination, to ensure that such contracts of services contain reasonable termination clauses.

Remuneration matters of the Directors, Executive Chairman and the Managing Director cum Chief Executive Officer are the responsibility of the RC 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 RC'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 were 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, 1 January 2017 and 1 January 2018 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, 1 January 2017 and 1 January 2018 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 RC 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 does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key executives 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 forward-looking results) as well as the actual results of its Executive Directors and key executives, "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 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 remuneration package of Executive Directors and key executive officers consists of:

(1) 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.

(2) Bonus and Incentives – Variable salaries which comprise sales incentives (as applicable) and variable bonus.

(3) Other Benefits – Other benefits comprise of transport allowances, country club memberships, and benefits-in-kind.

Corporate Governance Statement

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

The breakdown of remuneration of the Directors and key executives of the Group (in percentage terms) for FY2017 is set out below:

Name	Fixed Salary[1]	Fees	Bonus and Incentives
Remuneration Band from S$250,001 to S$500,000			
Executive Directors			
Koh Eddie	89%	4%	7%
Richard Koh Chye Heng	86%	7%	7%
Key Executives			
Harvey Kwan Koon Ho	34%	–	66%
Remuneration Band up to S$250,000			
Independent Directors			
Goh Boon Kok[2]	–	100%	–
Wu Yu Liang	–	100%	–
Lam Kwong Fai[3]	–	100%	–
Non-Executive Director			
Indriati Khoe	–	100%	–
Key Executives			
Chew Khong Yuen	100%	–	–
Remuneration Band between S$150,001 to S$200,000			
Key Executive who is a family member of the Executive Directors			
Kelly Koh Mee Lin	76%	5%	19%

Notes:

[1] The fees are subject to approval by shareholders at the Annual General Meeting to be held on 26 April 2018.

[2] Mr Goh Boon Kok resigned as Lead Independent Director of the Company on 1 August 2017.

[3] Mr Lam Kwong Fai was appointed as Lead Independent Director of the Company on 31 October 2017.

Corporate Governance Statement

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 2017.

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

The performance conditions used to determine the entitlement of the Executive Directors and top 3 key management personnel comprises of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on the job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The RC has reviewed and is satisfied that the performance conditions of the Directors and key executives were met for FY2017.

For FY2017, there was 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.

Corporate Governance Statement

Principle 11: Risk Management and Internal Controls

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

The Board 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 AC, are of the view that the Group's internal controls in addressing the financial, operational, compliance and information technology risks and the risk management systems are effective and adequate as at 31 December 2017.

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 for FY2017 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 2017.

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 AC comprises three members, all of whom are Non-Executive and the majority of whom, including AC Chairman, are independent. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

The members of the AC are:

Lam Kwong Fai	Chairman and Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

Corporate Governance Statement

The role of the AC 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 AC have sufficient accounting and financial management expertise and experience in discharging their duties and responsibilities.

The Company complies with Rules 712 and 715 of the Catalist Rules, read with Rule 716 in relation to its appointment of external auditor.

The functions and responsibilities of the AC include the following:

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

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

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

(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 AC; and

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

In discharging the above duties, the AC 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 AC has also been given reasonable resources to enable it to perform its functions properly. The Board considers Lam Kwong Fai, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Indriati Koh is also trained in financial management.

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

CORPORATE GOVERNANCE STATEMENT

The AC 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 FY2017, 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 S$134,000 and S$12,500, respectively. The AC 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.

The Company has put into place a whistle-blowing framework, endorsed by the AC, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The AC, 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 AC 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 AC 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 measure to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and AC.

The AC has deliberated the key audit matters identified by the RSM Chio Lim, i.e. impairment allowances on 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 AC. The Group has appointed Nexia TS Risk Advisory Pte. Ltd. as its internal auditor to assist the AC 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 AC.

The internal auditor's primary line of reporting is to the Chairman of the AC. 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 AC and the results of the findings are also shared with the external auditor. In addition, the AC meets with the internal auditor separately, at least once a year, without the presence of Management.

The AC 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. Chew Khong Yuen, the Group Financial Controller is responsible for the Company's communication with Shareholders. The Company will consider the appointment of a professional investor relations officer 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 FY2017, 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 avoided 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 AC 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.

All Directors are also provided with proper guidance on disclosure of interests in securities, restrictions on disclosure of price sensitive information and disclosure of interests relating to the Group's businesses.

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 AC has reviewed the interested person transactions for FY2017 conducted 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 FY2017 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)	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to 920 (excluding transactions less than S$100,000)
Royalty payments to Duvalco International Pte. Ltd.	S$113,514[(1)]	Nil
Products purchase from Duvalco Valves (Wuxi) Co. Ltd	S$704,760	Nil
Total	S$818,274[(2)]	Nil

Notes:
1. There was a waiver of royalty payment of S$81,654 for FY2017, due to agreement between the Company and the licensor, Duvalco International Pte. Ltd., that has not been included. Shareholders' approval has been received for the royalty payments made to Duvalco International Pte. Ltd.. Please refer to the circular from the Company dated 7 November 2013 for more information.
2. There was a waiver of factory rental of RMB1.2 million (approximately S$250,000) for FY2017, due to agreement between the Company and the landlord, Duvalco Valves (Wuxi) Co. Ltd, that has not been included.

Save for the above, there was no interested party transaction that is entered into that is of value of S$100,000 and above for FY2017. The Company does not have an existing general mandate pursuant to Rule 920 of the Catalist Rules. 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 general mandate (where necessary) for such transactions. The AC will also review all interested person transactions to ensure that the prevailing rules and regulations of the SGX-ST 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 FY2017 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 FY2017.

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 2017.

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
Lam Kwong Fai (Appointed on 31 October 2017)
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 had no interest 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 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 2018 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.

6. **Independent auditor**

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

Statement By Directors

7. Report of Audit Committee

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

Lam Kwong Fai	(Independent director and Chairman of Audit Committee)
Wu Yu Liang	(Independent director)
Indriati Khoe	(Non-executive 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, and reviews performed by management, other committees of the board and 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 2017.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 28 February 2018, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

Richard Koh Chye Heng Director	Koh Eddie Director

3 April 2018

Independent Auditor's Report

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

Report on audit of 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 2017, 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 2017 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.

Net realisable value of land use rights

We draw attention to Note 27 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 estimate of realisable value determined by the management on the basis that the Group is able to withdraw subsequently from the agreement through the transfer of the LURs to a third party approved by the relevant authority (Note 17). 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 17 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 2017.

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 Group'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

3 April 2018

Engagement partner – effective from year ended 31 December 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 $'000	Group 2016 $'000
Revenue	5	**23,842**	37,613
Cost of sales		**(16,491)**	(28,602)
Gross profit		**7,351**	9,011
Interest income		**12**	7
Other gains	6	**391**	718
Marketing and distribution costs	7	**(3,356)**	(4,436)
Administrative expenses	7	**(3,413)**	(4,247)
Finance costs		**(128)**	(121)
Other losses	6	**(306)**	(110)
Share of loss from equity-accounted associate		**(11)**	–
Share of loss from equity-accounted joint ventures		**(34)**	(163)
Profit before tax		**506**	659
Income tax expense	9	**(370)**	(322)
Profit net of tax		**136**	337
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Losses		**(372)**	(147)
– Reclassification to profit or loss arising from disposal of subsidiary		**(33)**	–
Other comprehensive loss for the year, net of tax		**(405)**	(147)
Total comprehensive (loss) income		**(269)**	190
(Loss) profit attributable to owners of the parent, net of tax		**(11)**	304
Profit attributable to non-controlling interests, net of tax		**147**	33
Profit net of tax		**136**	337
Total comprehensive (loss) income attributable to owners of the parent		**(383)**	182
Total comprehensive income attributable to non-controlling interests		**114**	8
Total comprehensive (loss) income		**(269)**	190
(Loss) earnings per share		**Cents**	**Cents**
Basic and diluted	10	**(0.01)**	0.14

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

Statements of Financial Position

AS AT 31 DECEMBER 2017

		Group		Company	
	Notes	2017	2016	2017	2016
ASSETS		**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	11	**6,738**	5,917	**3,275**	4,598
Investments in subsidiaries	13	**–**	–	**3,609**	4,245
Investments in associate	14	**623**	–	**–**	–
Investments in joint ventures	15	**138**	172	**100**	100
Other financial assets, non-current	16	**–**	–	**–**	–
Land use rights	17	**1,280**	1,357	**–**	–
Other assets, non-current	18	**18**	78	**18**	78
Total non-current assets		**8,797**	7,524	**7,002**	9,021
Current assets					
Asset held for sale under FRS 105	12	**1,152**	–	**1,038**	–
Inventories	19	**2,940**	4,745	**300**	620
Trade and other receivables, current	20	**7,136**	15,925	**8,506**	10,340
Other assets, current	18	**694**	936	**81**	110
Cash and cash equivalents	21	**3,853**	4,822	**1,793**	1,634
Total current assets		**15,775**	26,428	**11,718**	12,704
Total assets		**24,572**	33,952	**18,720**	21,725
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	**15,300**	15,300	**15,300**	15,300
Other reserves	23	**(134)**	238	**–**	–
Retained earnings		**1,573**	1,584	**732**	64
Equity, attributable to owners of the parent		**16,739**	17,122	**16,032**	15,364
Non-controlling interests		**(7)**	949	**–**	–
Total equity		**16,732**	18,071	**16,032**	15,364
Non-current liabilities					
Deferred tax liabilities	9	**53**	53	**33**	33
Other financial liabilities, non-current	24	**1,846**	81	**33**	81
Total non-current liabilities		**1,899**	134	**66**	114
Current liabilities					
Income tax payable		**139**	261	**–**	–
Other financial liabilities, current	24	**548**	1,806	**48**	1,806
Trade and other payables, current	25	**5,254**	13,680	**2,574**	4,441
Total current liabilities		**5,941**	15,747	**2,622**	6,247
Total liabilities		**7,840**	15,881	**2,688**	6,361
Total equity and liabilities		**24,572**	33,952	**18,720**	21,725

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

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 2017	**18,071**	**949**	**17,122**	**15,300**	**1,584**	**238**
Changes in equity:						
Total comprehensive (loss)/income for the year	**(269)**	**114**	**(383)**	**–**	**(11)**	**(372)**
Disposal of subsidiary with a change in control	**(1,070)**	**(1,070)**	**–**	**–**	**–**	**–**
Closing balance at 31 December 2017	**16,732**	**(7)**	**16,739**	**15,300**	**1,573**	**(134)**
Previous year:						
Opening balance at 1 January 2016	18,952	941	18,011	15,300	2,371	340
Changes 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 30)	(1,071)	–	(1,071)	–	(1,071)	–
Closing balance at 31 December 2016	18,071	949	17,122	15,300	1,584	238

Company:	**Total equity $'000**	**Share capital $'000**	**Retained earnings $'000**
Current year:			
Opening balance at 1 January 2017	**15,364**	**15,300**	**64**
Changes in equity:			
Total comprehensive income for the year	**668**	**–**	**668**
Closing balance at 31 December 2017	**16,032**	**15,300**	**732**
Previous year:			
Opening balance at 1 January 2016	17,805	15,300	2,505
Changes in equity:			
Total comprehensive loss for the year	(1,370)	–	(1,370)
Dividends on ordinary shares (Note 30)	(1,071)	–	(1,071)
Closing balance at 31 December 2016	15,364	15,300	64

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

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from operating activities		
Profit before tax	**506**	659
Adjustment for:		
Amortisation of land use rights	**59**	60
Depreciation of property, plant and equipment	**576**	549
Impairment loss on joint ventures	**–**	5
Interest income	**(12)**	(7)
Interest expense	**128**	121
(Gains) losses on disposal of subsidiaries, net	**(15)**	22
Losses (gains) on disposal of plant and equipment, net	**32**	(39)
Gain on disposal of other asset	**(8)**	–
Share of loss from equity-accounted associate	**11**	–
Share of loss from equity-accounted joint ventures	**34**	163
Operating cash flow before changes in working capital	**1,311**	1,533
Trade and other receivables	**4,646**	(90)
Other assets	**242**	929
Inventories	**377**	234
Trade and other payables	**(4,891)**	(583)
Net cash flows from operations	**1,685**	2,023
Income taxes paid	**(392)**	(160)
Net cash flows from operating activities	**1,293**	1,863
Cash flows from investing activities		
Disposal of subsidiaries (net of cash disposed) (Note 13A)	**739**	(41)
Interest received	**12**	7
Proceeds from disposal of plant and equipment	**15**	181
Proceeds from disposal of other asset	**68**	–
Proceeds from investment held for disposal	**–**	120
Purchase of property, plant and equipment (Note 21A)	**(2,901)**	(317)
Purchase of property classified as assets held for sale under FRS 105	**(114)**	–
Net cash flows used in investing activities	**(2,181)**	(50)
Cash flows from financing activities		
Dividends paid on ordinary shares	**–**	(1,071)
Finance lease repayment	**(82)**	(145)
Increase in borrowings	**2,202**	–
Interest paid	**(128)**	(121)
Repayment of bank borrowings	**(1,760)**	5
Net cash flows from (used in) financing activities	**232**	(1,332)
Net (decrease) increase in cash and cash equivalents	**(656)**	481
Effect of exchange rate changes on cash and cash equivalent	**(313)**	32
Cash and cash equivalents, statement of cash flows, beginning balance	**4,822**	4,309
Cash and cash equivalents, statement of cash flows, ending balance (Note 21)	**3,853**	4,822

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 shares market on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 13 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 of the Company as the reporting entity 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 not material. 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 profit or loss, as required or permitted by FRS.

Basis of preparation of the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 borrowings. 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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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 land and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In the equity accounted financial statements (economic interest financial statements), the accounting for investments in an associate is on the equity method. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103 Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired. 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 an investment in the associate 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 an associate in excess of the reporting entity's interest in the relevant associate 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 an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates 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 an associate 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 associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture

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

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

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

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.

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.

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

2A. Significant accounting policies (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

2A. Significant accounting policies (Continued)

Subsequent measurement: (Continued)

Financial assets (Continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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. Liabilities at amortised cost: 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 2017

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.

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.

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

2B. Other explanatory information (Continued)

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.

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.

Net realisable value of land use rights:
The Group has land use rights at a carrying value of $1,280,000 (2016: $1,357,000) disclosed under Note 17. 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 27. See Note 17 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 $2,940,000 (2016: $4,745,000) and $300,000 (2016: $620,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

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

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

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

Useful lives of property, plant and equipment:
The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific asset (or class of assets) affected by the assumption of the Group and the Company were approximately $6,738,000 (2016: $5,917,000) and $3,275,000 (2016: $4,598,000) respectively.

Notes to the Financial Statements

31 DECEMBER 2017

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

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

Measurement of impairment of subsidiaries and joint ventures:
Where a subsidiary or joint ventures is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investments are $680,000 (2016: $1,906,000) 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.

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.

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 above group of companies. Associates also include those that are associates of members of the above group.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Related party transactions:

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

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

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

	2017	**2016**
	$'000	**$'000**
Director:		
Professional fee expense	**2**	6
Other related parties:		
Factory rental[(a)]	**–**	250
Royalty fees expense[(b)]	**114**	161
Purchases of goods	**705**	1,330

(a) Persuant to the IPT Mandate between the Group and the related party, Duvalco Valves (Wuxi) Co., Ltd. (the "licensor"), the Group shall pay its related party the factory rental of a fixed amount RMB1,200,000 (equivalent $250,000) per annum. The Group obtained a waiver from its related party for the factory rental for the reporting year ended 31 December 2017. The total amount of $250,000 is not included in the profit and loss.

(b) Persuant to the Licence Agreement between the Group and the licensor, Duvalco International Pte. Ltd. (the "licensor"), the Group shall pay its licensor the royalty fee for the duration of the Licence Agreement calculated at 5% of the chargeable consideration, for the Duvalco IP Rights. During the reporting year ended 31 December 2017, the Group obtained a waiver from its licensor for the royalty fee incurred in the fourth quarter amounting to $82,000. The total amount of royalty fee included in the profit and loss of $114,000 does not include the amount being waived.

Notes to the Financial Statements

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Key management compensation:

	2017 $'000	2016 $'000
Salaries and other short-term employee benefits	**1,469**	1,527

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

	2017 $'000	2016 $'000
Remuneration of directors of the Company	**611**	572
Remuneration of directors of the subsidiaries	**98**	94
Fees to directors of the Company	**145**	137
Fees to a firm in which a director is a member	**2**	6

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:

Company	Subsidiaries	
	2017 $'000	2016 $'000
Other receivables (payables):		
Balance at beginning of the year – net debit	**6,814**	4,946
Amounts paid out and settlement of liabilities on behalf of subsidiaries	**2,733**	1,868
Balance at end of the year – net debit	**9,547**	6,814

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

Company	Subsidiaries	
	2017	**2016**
	$'000	**$'000**
Other receivables (payables): (continued)		
Presented in the statement of financial position as follows:		
Other receivables (Note 20)	**9,662**	6,814
Other payables (Note 25)	**(115)**	–
Net	**9,547**	6,814

	Ultimate parent company			
	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Other payables:				
Balance at beginning of the year	**(1,785)**	(1,830)	**(1,785)**	(1,830)
Amounts paid out and settlement of liabilities on behalf of ultimate parent company	**70**	45	**70**	45
Balance at end of the year (Note 25)	**(1,715)**	(1,785)	**(1,715)**	(1,785)

	Related parties			
	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables (payables):				
Balance at beginning of the year – net debit	**238**	250	**238**	250
Amounts paid in and settlement of liabilities on behalf of the Company	**(41)**	(12)	**(158)**	(12)
Balance at end of the year – net debit	**197**	238	**80**	238
Presented in the statement of financial position as follows:				
Other receivables (Note 20)	**291**	291	**291**	291
Other payables (Note 25)	**(94)**	(53)	**(211)**	(53)
Net	**197**	238	**80**	238

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) Waste water ("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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4B. Profit or loss from continuing operations and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment														
External revenue	**11,625**	22,418	**478**	29	**80**	1,278	**2,804**	7,908	**8,855**	5,980	**–**	–	**23,842**	37,613
Results:–														
Segment result	**4,254**	5,748	**261**	12	**18**	273	**487**	1,004	**2,331**	1,974	**–**	–	**7,351**	9,011
Interest income									**–**	–	**12**	7	**12**	7
Finance costs									**–**	–	**(128)**	(121)	**(128)**	(121)
Amortisation of land use rights									**(59)**	(60)	**–**	–	**(59)**	(60)
Depreciation of property, plant and equipment									**–**	–	**(576)**	(549)	**(576)**	(549)
Employee benefits expenses									**–**	–	**(4,196)**	(5,326)	**(4,196)**	(5,326)
Impairment of assets									**–**	–	**–**	(5)	**–**	(5)
Unallocated corporate expenses									**–**	–	**(1,997)**	(2,808)	**(1,997)**	(2,808)
Other (losses) gains									**–**	–	**144**	673	**144**	673
Share of (loss) profit from equity-accounted associate									**–**	–	**(11)**	–	**(11)**	–
Share of (loss) profit from equity-accounted joint ventures									**–**	–	**(34)**	(163)	**(34)**	(163)
Profit before tax													**506**	659
Income tax (expense) credit													**(370)**	(322)
Profit net of tax													**136**	337

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4C. Assets, liabilities and reconciliations

	PW		WW		NW		VA		Others		Unallocated		Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Reportable segment assets														
Trade and other receivables	**4,176**	10,494	**44**	3	**–**	294	**123**	3,423	**2,793**	1,711	**–**	–	**7,136**	15,925
Property, plant and equipment											**6,738**	5,917	**6,738**	5,917
Cash and cash equivalents											**3,853**	4,822	**3,853**	4,822
Asset held for sale under FRS 105											**1,152**	–	**1,152**	–
Others											**5,693**	7,288	**5,693**	7,288
Total assets													**24,572**	33,952
Reportable segment liabilities														
Trade and other payables											**5,254**	13,680	**5,254**	13,680
Other financial liabilities											**2,394**	1,887	**2,394**	1,887
Others											**192**	314	**192**	314
Total liabilities													**7,840**	15,881
Capital expenditure											**3,107**	367	**3,107**	367

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (CONTINUED)

4D. Geographical information

	Revenue		Non-current assets	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**10,173**	16,908	**6,882**	4,938
Australia	**80**	69	**–**	–
Brunei	**–**	300	**–**	–
China	**1,904**	7,883	**1,661**	2,262
Europe	**1,507**	2,012	**197**	314
Hong Kong	**9,725**	7,486	**55**	9
Indonesia	**12**	–	**1**	1
Japan	**133**	2,560	**–**	–
Malaysia	**–**	45	**–**	–
Vietnam	**245**	163	**–**	–
Others	**63**	187	**1**	–
Subtotal for all foreign countries	**13,669**	20,705	**1,915**	2,586
Total	**23,842**	37,613	**8,797**	7,524

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

	2017	**2016**
	$'000	**$'000**
Top 1 customer in PW segment	**4,366**	5,187

5. REVENUE

	Group	
	2017	**2016**
	$'000	**$'000**
Sale of goods	**23,569**	37,320
Rental income	**2**	–
Commission income	**–**	122
Other income	**271**	171
Total revenue	**23,842**	37,613

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. OTHER GAINS AND (OTHER LOSSES)

	Group	
	2017	**2016**
	$'000	**$'000**
Amortisation of land use rights (Note 17)	**(59)**	(60)
Bad debts written off trade receivables	**–**	(23)
Foreign exchange adjustment (losses)/gains, net	**(42)**	86
(Loss)/gains on disposal of plant and equipment, net	**(32)**	39
Gains/(loss) on disposal of subsidiaries, net (Note 13A)	**15**	(22)
Gain on disposal of other asset	**8**	–
Government grant	**159**	126
Impairment loss on joint ventures (Note 15)	**–**	(5)
Inventories write down reversal (Note 19)	**209**	254
Net allowance for impairment on trade receivables – (loss)/reversal (Note 20)	**(33)**	95
Loss on corporate guarantee to former subsidiary (Note 26)	**(103)**	–
Sundry (expense)/income	**(37)**	118
Net	**85**	608
Presented in profit or loss as:		
Other gains	**391**	718
Other losses	**(306)**	(110)
Net	**85**	608

7. MARKETING AND DISTRIBUTION COSTS, AND ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Marketing and distribution costs		
Employee benefits expense (Note 8)	**2,206**	2,605
Penalty for late delivery – (reversal)/expense	**(5)**	(443)
Administrative expenses		
Employee benefits expense (Note 8)	**1,754**	2,167
Depreciation of property, plant and equipment (Note 11)	**414**	349

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	2016
	$'000	$'000
Employee benefits expense	**3,769**	4,774
Contributions to defined contribution plan	**301**	387
Other benefits	**126**	165
Total employee benefits expense	**4,196**	5,326
The employee benefits expense is charged under:		
Administrative expenses (Note 7)	**1,754**	2,167
Cost of sales	**236**	554
Marketing and distribution costs (Note 7)	**2,206**	2,605
	4,196	5,326

9. INCOME TAX

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

	Group	
	2017	2016
	$'000	$'000
Current tax expense:		
Current tax expense	**380**	226
Over adjustments in respect of prior periods	**(10)**	(27)
Subtotal	**370**	199
Deferred tax expense:		
Deferred tax expense	**–**	123
Subtotal	**–**	123
Total income tax expense	**370**	322

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9. INCOME TAX (CONTINUED)

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

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2017	2016
	$'000	$'000
Profit before tax	506	659
Less: Share of loss from equity-accounted associate	11	–
Less: Share of loss from equity-accounted joint ventures	34	163
	551	822
Income tax expense at the above rate	94	140
Effect of different tax rates in different countries	(14)	8
Non-deductible items/(not liable to tax items)	31	(62)
Tax exemptions	–	(53)
Deferred tax assets not recognised	240	89
Previously unrecognised deferred tax recognised this year	24	249
Over adjustments to current tax in respect of prior periods	(10)	(27)
Other minor items less than 3% each	5	(22)
Total income tax expense	370	322

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

The major non-deductible items include the following:

	Group	
	2017	2016
	$'000	$'000
Amortisation on land use right	10	10
Depreciation on non-qualifying plant and equipment	41	33
Inventories write down reversal	(36)	(43)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9. INCOME TAX (CONTINUED)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred income	**–**	(147)
Excess of tax values over book value of property, plant and equipment	**14**	(27)
Tax loss carryforwards	**236**	218
Provisions	**(10)**	(78)
Deferred tax assets not recognised	**(240)**	(89)
Total deferred tax expense recognised in profit or loss	**–**	(123)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Deferred tax assets/(liabilities) recognised in profit or loss:		
Excess of tax values over book value of property, plant and equipment	**16**	2
Tax loss carryforwards	**1,527**	1,291
Provisions	**27**	37
Deferred tax assets not recognised	**(1,623)**	(1,383)
Net balance	**(53)**	(53)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	**(53)**	(53)
Deferred tax assets	**–**	–
Net balance	**(53)**	(53)

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

	Company	
	2017	**2016**
	$'000	**$'000**
Deferred tax assets/(liabilities):		
Excess of tax values over book value of property, plant and equipment	**22**	10
Tax loss carryforwards	**499**	369
Provisions	**21**	23
Deferred tax assets not recognised	**(575)**	(435)
Net deferred tax liabilities	**(33)**	(33)

9. INCOME TAX (CONTINUED)

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

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.

10. (LOSS) EARNINGS PER SHARE

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

	2017 $'000	2016 $'000
A. Numerator: profit attributable to equity:		
Continuing operations:		
Total basic and diluted (loss) earnings attributable to owners of the parent	**(11)**	304

	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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2016	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**
Additions	**2,587**	**461**	**3,048**
Disposals	**–**	**(488)**	**(488)**
Foreign exchange adjustments	**(4)**	**(12)**	**(16)**
Disposal of subsidiary	**–**	**(1,249)**	**(1,249)**
Reclassed to asset held for sale	**(1,076)**	**–**	**(1,076)**
At 31 December 2017	**5,537**	**4,054**	**9,591**
Accumulated depreciation and impairment losses:			
At 1 January 2016	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**
Depreciation for the year	**84**	**492**	**576**
Disposals	**–**	**(441)**	**(441)**
Foreign exchange adjustments	**–**	**22**	**22**
Disposal of subsidiary	**–**	**(721)**	**(721)**
Reclassed to asset held for sale	**(38)**	**–**	**(38)**
At 31 December 2017	**115**	**2,738**	**2,853**
Net book value:			
At 1 January 2016	4,036	2,317	6,353
At 31 December 2016	3,961	1,956	5,917
At 31 December 2017	**5,422**	**1,316**	**6,738**

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

	Group 2017 $'000	Group 2016 $'000
Cost of sales	**15**	50
Marketing and distribution costs	**147**	150
Administrative expenses (Note 7)	**414**	349
Total	**576**	549

Notes to the Financial Statements

31 DECEMBER 2017

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held in trust

Leasehold properties of $3,589,000 (2016: $3,652,000), classified under property, plant and equipment and asset held for sale under FRS 105 (see Note 12) of $2,551,000 and $1,038,000 respectively, 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).

Assets under construction

Properties include buildings in the course of construction with a cost of $304,000 (2016: $309,000).

Company	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2016	3,720	2,348	6,068
Additions	–	280	280
Disposal	–	(128)	(128)
At 31 December 2016	**3,720**	**2,500**	**6,220**
Additions	**–**	**81**	**81**
Disposal	**–**	**(476)**	**(476)**
Reclassed to asset held for sale	**(1,076)**	**–**	**(1,076)**
At 31 December 2017	**2,644**	**2,105**	**4,749**
Accumulated depreciation:			
At 1 January 2016	5	1,335	1,340
Depreciation for the year	63	270	333
Disposal	–	(51)	(51)
At 31 December 2016	**68**	**1,554**	**1,622**
Depreciation for the year	**63**	**258**	**321**
Disposal	**–**	**(431)**	**(431)**
Reclassed to asset held for sale	**(38)**	**–**	**(38)**
At 31 December 2017	**93**	**1,381**	**1,474**
Net book value:			
At 1 January 2016	3,715	1,013	4,728
At 31 December 2016	3,652	946	4,598
At 31 December 2017	**2,551**	**724**	**3,275**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

12. ASSET HELD FOR SALE UNDER FRS 105

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Asset held for sale:				
Property in Malaysia held for disposal	**114**	–	**–**	–
Property in Singapore held for disposal	**1,038**	–	**1,038**	–
	1,152	–	**1,038**	–

As described in Note 26, the Group acquired an office property via an auction sale on 4th April 2017 at a sum of RM350,000 (equivalent to $114,000) as partial settlement of the amount claimed by RHB bank. The property is located in Malaysia and is held in trust by a third party individual in Malaysia as required by the Malaysia Law, which is applicable for properties with value less than RM1 million. The property was acquired with a view to dispose and accordingly, the net carrying value was presented as property held for sale under "Asset held for disposal under FRS 105". The sale has yet been completed as at date of the financial statements.

A property in Singapore, is presented as asset held for sale under FRS 105 following the decision of management on 12th July 2017 to sell the property in Singapore.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
At cost:		
Balance at beginning of the year	**9,811**	9,311
Additions	**–**	500
	9,811	9,811
Allowance for impairment	**(6,202)**	(5,566)
Balance at the end of the year	**3,609**	4,245
Movements in allowance for impairment:		
Balance at beginning of the year	**5,566**	3,257
Impairment loss charge to profit or loss included in other losses	**636**	2,309
Balance at end of the year	**6,202**	5,566
Net book value of subsidiaries	**4,597**	5,682

The decreasing performance of Pan Asian Manufacturing (Tianjin) Co. Ltd ("PAMTJ") and Duvalco Valves & Fittings Pte. Ltd. ("DVF"), were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $136,000 and $500,000 respectively to write down the cost of investments to their recoverable amount during the reporting year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the reporting year ended 31 December 2016, the decreasing performance of 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.

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	
	2017	2016	2017	2016
	$'000	$'000	%	%
Pan Asian Flow Technology Pte. Ltd.[1] Singapore Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Chio Lim LLP)	**500**	500	**100**	100
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 Investment Pte. Ltd.[4],[5],[8] Singapore Investment holding	**–**	–	**100**	100
Sacha Inchi Pte. Ltd.[1],[5],[9] Singapore General importers and exporters for teas (RSM Chio Lim LLP)	**–**	–	**100**	–
PA Tech (Asia) Pte. Ltd.[1] Singapore Supply marine and offshore products (RSM Chio Lim LLP)	**180**	180	**60**	60

Notes to the Financial Statements

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group 2017 $'000	Cost in books of Group 2016 $'000	Effective percentage of equity held by Group 2017 %	Effective percentage of equity held by Group 2016 %
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],[6] Thailand Under liquidation	**170**	170	**80**	80
PT. Pan Asian Water Solutions[3] 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
Pan Asian Holdings (B) Sdn Bhd[4],[5] Brunei Darussalam General importers and exporters for pipes	**–**	–	**100**	100
Total in books of the Company	**9,811**	9,811		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. 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	
	2017	2016	2017	2016
	$'000	$'000	%	%
Held by Duvalco Valves and Fittings Pte. Ltd.				
Duvalco B.V.[(7)] Netherlands Manufacturing of valves and fittings (RSM Rotterdam)	**1,006**	1,006	**100**	100
DWK (Tianjin) Co., Limited[(3),(10)] People's Republic of China Manufacturing of valves and fittings (Zhong Peng Public Accountants)	**–**	1,487	**–**	60
Duvalco Valves & Fittings (Wuxi) Co., Ltd[(4),(11)] People's Republic of China Manufacturing of valves and fittings	**430**	–	**100**	–
Held by DWK Valves (Tianjin) Co., Limited				
Shanghai Ji Xin Flow Control Co., Limited[(12)] People's Republic of China Supply of piping systems for use in water and wastewater infrastructure developments, and marine and industrial applications	**–**	–	**–**	–
Held by PA Water Solutions (Shanghai) Limited				
Pan Asian (Tianjin) Industrial and Trading Co., Ltd[(12)] People's Republic of China Supply of valves and piping systems, and related accessories	**–**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. 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 2017 have been used for consolidation purposes.

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

(6) 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.

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

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

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

(10) On 24 April 2017, the Group disposed 35% of its equity interest in the share capital of DWK Valves (Tianjin) Co., Limited, a 60% owned subsidiary for a consideration of RMB4,375,000, approximately $888,000, and accordingly, a gain on disposal of subsidiary of $15,000 was recognised in the profit or loss included in other gains (see Note 6) in the reporting year ended 31 December 2017. Subsequent to the disposal, DWK Valves (Tianjin) Co., Limited become its associate (see Notes 13A and 14).

(11) On 21 July 2017, the Group incorporated a wholly-owned subsidiary, Duvalco Valve & Fittings (Wuxi) Co., Ltd with a total paid up share capital of $430,000 (equivalent to RMB2,000,000).

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

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 subsidiaries that have non-controlling interests ("NCI") that are considered material to the reporting entity and additional disclosures on them are presented below.

	Group	
	2017	**2016**
	$'000	**$'000**
Name of the subsidiary: PA Tech (Asia) Pte. Ltd.:		
#1. The profit/(loss) allocated to NCI of the subsidiary during the reporting year:	**105**	(67)
Name of the subsidiary: DWK Valves (Tianjin) Co., Limited:		
#1. The profit allocated to NCI of the subsidiary during the reporting year:	**42**	96
#2. The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before inter-company eliminations) is as follows:	**42**	177

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

13A. Disposal of subsidiaries

2017:

The subsidiary, DWK Valves (Tianjin) Co., Limited ("DWKTJ") was deconsolidated on 24 April 2017. (See Note 13[10]).

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 2017 were as follows:

	Group	
	At date of disposal in 2017 $'000	2016 $'000
Revenue	**1,791**	7,550
Expenses	**(1,687)**	(7,037)
Profit before tax before disposal	**104**	513
Presented as:		
Gain on disposal of subsidiaries, included in profit or loss under other gains (Note 6)	**15**	–
Foreign currency translation reserve reclassified to profit or loss included in other comprehensive loss	**(33)**	–
Net losses on disposal	**(18)**	–

A net loss on disposal of $18,000 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 subsidiary's unaudited financial statements as at 31 May 2017 were used to determine the above gain/loss on disposal of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

13A. Disposal of subsidiaries (Continued)

2017: (Continued)

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

	DWKTJ $'000
Plant and equipment	528
Inventories	1,428
Cash and cash equivalents	149
Trade and other receivables	4,143
Trade and other payables	(3,635)
Net carrying amount of assets disposed	2,613
Less: Non-controlling interests	(1,070)
Less: Transfer to investment in associate	(634)
Net assets disposed	909
Less: Foreign currency translation reserve	(33)
Less: Capital reserve	(3)
Gains on disposal (Note 6)	15
Total consideration	888

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

	Total $'000
Cash consideration	888
Cash and cash equivalents disposed of	(149)
Net cash inflow	739

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

13A. Disposal of subsidiaries (Continued)

2016:

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

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	2015 $'000
Revenue	–	–
Expenses	(1)	(12)
Loss before tax and loss after tax before disposal loss	(1)	(12)
Presented as:		
Losses on disposal of subsidiaries, net	(22)	–
Net loss on disposal	(22)	–

A net loss on disposal of $22,000 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 March 2016 and 31 October 2016 for PATJ and SHJX respectively 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 interests	(15)	–	(15)
Net assets disposed	22	–	22
Losses on disposal (Note 6)	(22)	–	(22)
Total consideration	–	–	–

Notes to the Financial Statements

31 DECEMBER 2017

13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

13A. Disposal of subsidiaries (Continued)

2016: (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)

14. INVESTMENTS IN ASSOCIATE

	Group	
	2017 $'000	**2016 $'000**
Movements in carrying value:		
Balance at beginning of the year	**–**	–
Additions (See Note 13[(10)])	**634**	–
Share of losses for the year	**(11)**	–
Balance at the end of the year	**623**	–
Net book value of associates	**625**	–

Name of associates, country of incorporation, place of operations and principal activities (and independent auditor)	Cost in books of Group		Effective percentage of equity held by Group	
	2017 $'000	2016 $'000	2017 %	2016 %
Held by Duvalco Valves and Fittings Pte. Ltd.				
DWK (Tianjin) Co., Limited[(1)] People's Republic of China Manufacturing of valves and fittings (Zhong Peng Public Accountants)	**634**	–	**25**	–

(1) 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 firm.

Notes to the Financial Statements

31 DECEMBER 2017

14. INVESTMENTS IN ASSOCIATE (CONTINUED)

The summarised financial information of the material associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate are as follows. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	Group	
	2017	**2016**
	$'000	**$'000**
Profit from continuing operations	**19**	–
Total comprehensive loss	**(46)**	–
Net assets of the associates	**2,496**	–

There are no significant restrictions on the ability of the major associates to transfer funds to the reporting entity in the form of cash dividends.

15. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Movements in carrying value:				
Balance at beginning of the year	**172**	340	**100**	105
Allowance for impairment	**–**	(5)	**–**	(5)
Share of losses for the year	**(34)**	(163)	**–**	–
Balance at end of the year	**138**	172	**100**	100
Carrying value:				
Unquoted equity share at cost	**198**	198	**149**	149
Allowance for impairment	**(5)**	(5)	**(49)**	(49)
Share of post-acquisition losses	**(55)**	(21)	**–**	–
	138	172	**100**	100
Movements in allowance for impairment:				
Balance at beginning of the year	**(5)**	–	**(5)**	–
Impairment loss charge to profit or loss in other losses (Note 6)	**–**	(5)	**–**	(5)
Balance at end of the year	**(5)**	(5)	**(5)**	(5)
Share of net book value of joint ventures	**133**	7	**95**	7

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

15. 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**	
	2017	**2016**
	%	**%**
Franklin Hodge Pte. Ltd.[(1)] Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	**50**	50
S-Two (Asia) Pte. Ltd.[(1)] Singapore Trading of marine engine and ship parts (RSM Chio Lim LLP)	**50**	50
Duvalco Controls Company Limited[(2), (3)] Thailand Supply of piping systems, water tank system and related accessories	**49**	49
Held by Duvalco Valves & Fittings Pte. Ltd.		
Duvalco UK Limited[(2)] 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) Audited by RSM Chio Lim LLP.

(2) Not audited as it is immaterial. The unaudited management financial statements as at 31 December 2017 have been used for consolidation purposes.

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

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Assets	**458**	827
Liabilities	**516**	813
Revenue	**1,038**	530
Loss for the year	**(75)**	(299)

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 $5,000 (2016: $158,000) for the reporting year.

16. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'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 were 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

17. LAND USE RIGHTS

	Group 2017 $'000	Group 2016 $'000
Cost:		
At beginning of the year	**2,879**	2,989
Foreign exchange adjustments	**(40)**	(110)
At end of the year	**2,839**	2,879
Accumulated amortisation:		
At beginning of the year	**1,522**	1,518
Amortisation for the year included in other losses (Note 6)	**59**	60
Foreign exchange adjustments	**(22)**	(56)
At end of the year	**1,559**	1,522
Net book value:		
At beginning of the year	**1,357**	1,471
At end of the year	**1,280**	1,357

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 27.

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 27, the Group is exploring ways to recover this amount at the prevailing market value.

18. OTHER ASSETS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current:				
Club memberships at cost	**45**	105	**45**	105
Less allowance for impairment	**(27)**	(27)	**(27)**	(27)
	18	78	**18**	78
Current:				
Prepayments	**603**	819	**41**	61
Deposits to secure services	**91**	117	**40**	49
	694	936	**81**	110
Movements in above allowance:				
Balance at beginning of the year	**27**	694	**27**	27
Written off	**–**	(667)	**–**	–
Balance at end of the year	**27**	27	**27**	27

Notes to the Financial Statements

31 DECEMBER 2017

18. OTHER ASSETS (CONTINUED)

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.

19. INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	**2,940**	4,745	**300**	620

Inventories are stated after allowance.

	Group		Company	
	2017	2016	2017	2016
Movements in allowance:				
Balance at beginning of the year	**461**	1,006	**286**	801
Reversal to profit or loss included in other gains (Note 6)	**(209)**	(254)	**(144)**	(371)
Charge to profit or loss included in cost of sales	**(8)**	(313)	**–**	(144)
Foreign exchange adjustments	**2**	22	**–**	–
Balance at end of the year	**246**	461	**142**	286
Changes in inventories of finished goods	**1,805**	234		
Cost of inventories sold recognised in cost of sales	**14,128**	24,321		

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

The reversal of allowance is for goods with an estimated increase in net realisable value.

Notes to the Financial Statements

31 DECEMBER 2017

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
Outside parties	**6,963**	15,654	**552**	2,501
Less allowance for impairment	**(474)**	(851)	**(339)**	(284)
Subsidiaries	**–**	–	**590**	3,202
Less allowance for impairment	**–**	–	**(236)**	(248)
Related parties	**288**	199	**120**	31
Trade receivables – subtotal	**6,777**	15,002	**687**	5,202
Other receivables:				
Advances to purchase assets	**123**	–	**–**	–
Subsidiaries (Note 3D)[(a)]	**–**	–	**9,662**	6,814
Less allowance for impairment	**–**	–	**(1,896)**	(1,893)
Related parties (Note 3D)	**291**	291	**291**	291
Less allowance for impairment	**(238)**	(238)	**(238)**	(238)
Tax recoverable	**6**	74	**–**	–
Outside parties	**1,047**	1,721	**724**	940
Less allowance for impairment	**(870)**	(925)	**(724)**	(776)
Other receivables – subtotal	**359**	923	**7,819**	5,138
Total trade and other receivables	**7,136**	15,925	**8,506**	10,340
Movements in above allowance:				
Balance at beginning of the year	**2,014**	2,249	**3,439**	3,315
Allowance/(write-back) for impairment on trade receivables to profit or loss included in other losses/(gains) (Note 6)	**33**	(95)	**–**	728
Disposal of subsidiaries	**(230)**	–	**–**	–
Written off	**(240)**	(129)	**(6)**	(604)
Foreign exchange adjustments	**5**	(11)	**–**	–
Balance at end of the year	**1,582**	2,014	**3,433**	3,439

(a) The amount include loans to subsidiaries totalling $7,815,000 (2016: $5,268,000), which are unsecured, with a tenure of 6 months and subject to automatic rollover, and carry an interest at 3.0% to 5.0% (2016: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not restricted in use	**3,853**	4,822	**1,793**	1,634

The interest earning balances are not significant.

21A. Non-cash transactions:

During the reporting year there were acquisitions of plant and equipment of $147,000 (2016: $50,000) acquired by means of finance leases.

21B. Reconciliation of liabilities arising from financing activities:

	2016	Cash flows	Non-cash Changes	2017
	$'000	$'000	$'000	$'000
At 31 December 2017:				
Other financial liabilities	**1,887**	**360**	**147**	**2,394**

	2015	Cash flows	Non-cash Changes	2016
	$'000	$'000	$'000	$'000
At 31 December 2016:				
Other financial liabilities	1,977	(140)	50	1,887

22. SHARE CAPITAL

	Group and Company			
	2017	2017	2016	2016
	Number of shares issued	Share capital	Number of shares issued	Share capital
	'000	$'000	'000	$'000
At 1 January and 31 December	**214,202**	15,300	**214,202**	15,300

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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	
	2017	**2016**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including finance leases	**2,394**	1,887
Less: cash and cash equivalents	**(3,853)**	(4,822)
Net debt	**(1,459)**	(2,935)
Adjusted capital:		
Total equity	**16,732**	18,071
Adjusted capital	**16,732**	18,071
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.

23. OTHER RESERVES

	Group	
	2017	**2016**
	$'000	**$'000**
Foreign currency translation reserve (Note 23A)	**(262)**	115
Statutory reserves (Note 23B)	**128**	123
Total at the end of the year	**(134)**	238

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

23A. Foreign currency translation reserve

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of the year	**115**	237
Exchange differences on translating foreign operations	**(377)**	(122)
Balance at end of the year	**(262)**	115

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

23B. Statutory reserves

	Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of the year	**123**	103
Transfer from retained earnings	**5**	20
Balance at end of the year	**128**	123

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

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

Notes to the Financial Statements

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current:				
Financial instruments with floating interest rates:				
Bank loans (Note 24B)	**1,750**	–	**–**	–
Financial instruments with fixed interest rates:				
Finance leases (Note 24C)	**96**	81	**33**	81
Total non-current portion	**1,846**	81	**33**	81
Current:				
Financial instruments with floating interest rates:				
Short term borrowings (Note 24B)	**452**	–	**–**	–
Trust receipts for purchase of inventories (Note 24A)	**–**	1,760	**–**	1,760
Financial instruments with fixed interest rates:				
Finance leases (Note 24C)	**96**	46	**48**	46
Total current portion	**548**	1,806	**48**	1,806
Total non-current and current	**2,394**	1,887	**81**	1,887
The non-current portion is repayable as follows:				
Due within two to five years	**96**	81	**33**	81
After five years	**1,750**	–	**–**	–
Total non-current portion	**1,846**	81	**33**	81

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	
	2017	2016	2017	2016
	%	%	%	%
Bank loans and short term borrowings	**3.15 to 5.00**	5.50	**–**	–
Trust receipts for purchase of inventories	**2.96 to 6.61**	1.78 to 3.25	**–**	1.78 to 3.25

24. OTHER FINANCIAL LIABILITIES (CONTINUED)

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below three months (2016: six months).

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

The bank loan is repayable in full on its maturity date which falls on 10 years commencing from the end of three months after the issuance of the industrial building's Temporary Occupation Permit.

24A. Trust receipts for purchase of inventories

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

24B. Bank loans and short term borrowings

The short term borrowings are covered by corporate guarantee from the Company.

The bank loans are secured and covered by:

(a) First legal mortgage over the land of the Group (located at Tuas South Link 3 Plot 24) (Note 11) and the proposed development to be erected thereon into an industrial building;

(b) Legal assignment of all rights, title and interests in the construction contract, insurance policies, performance bonds, tenancy agreement and sales and purchase agreement of the proposed development; and

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONTINUED)

24C. Finance leases

Group

	Minimum payments $'000	Finance charges $'000	Present value $'000
2017			
Minimum lease payments payable:			
Due within one year	**103**	**(7)**	**96**
Due within two to five years	**99**	**(3)**	**96**
Total	**202**	**(10)**	**192**
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

Company

	Minimum payments $'000	Finance charges $'000	Present value $'000
2017			
Minimum lease payments payable:			
Due within one year	**50**	**(2)**	**48**
Due within two to five years	**34**	**(1)**	**33**
Total	**84**	**(3)**	**81**
2016			
Minimum lease payments payable:			
Due within one year	50	(4)	46
Due within two to five years	84	(3)	81
	134	(7)	127

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $332,000 (2016: $243,000) and $152,000 (2016: $243,000) respectively at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

24. OTHER FINANCIAL LIABILITIES (CONTINUED)

24C. Finance leases (Continued)

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 2017, the rate of interest for finance leases ranges from 2.3% to 5.3% (2016: 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 Group. The carrying amount of the lease liabilities is not significantly different from the fair value (Level 2).

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables:				
Outside parties and accrued liabilities	**1,992**	9,629	**420**	1,953
Related parties	**517**	362	**–**	4
Subsidiaries	**–**	–	**–**	503
Trade payables – subtotal	**2,509**	9,991	**420**	2,460
Other payables:				
Outside parties	**793**	847	**113**	111
Ultimate parent company (Note 3D)	**1,715**	1,785	**1,715**	1,785
Related parties (Note 3D)	**94**	53	**211**	53
Subsidiaries (Note 3D)	**–**	–	**115**	–
Advances received from customers	**143**	1,004	**–**	32
Other payables – subtotal	**2,745**	3,689	**2,154**	1,981
Total trade and other payables	**5,254**	13,680	**2,574**	4,441

26. CONTINGENT LIABILITIES

	Company	
	2017	**2016**
	$'000	**$'000**
Undertaking to support subsidiaries with deficits[a]	**2,325**	1,851
Bank guarantee in favour of subsidiaries (Note 3)	**1,227**	1,306
Bank guarantee in favour of former subsidiary[b]	**31**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

26. CONTINGENT LIABILITIES (CONTINUED)

(a) Undertaking to support subsidiaries with deficits – 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.

(b) Bank guarantee in favour of former subsidiary – There was a claim from RHB bank (the "bank") against the Company for an outstanding overdraft owing by DVC Engineering & Trading Sdn. Bhd. ("DVC"), its former subsidiary (see Note 16(a)), which is secured by corporate guarantee from the Company and certain directors of the former subsidiary and a first charge on a subsidiary's office property. The office property, which was acquired by a subsidiary of the Group (as described in Note 12), has been realised via an auction sale in April 2017 at MYR350,000 (equivalent to $114,000). In settlement of the outstanding claim, the Company issued a bank draft of MYR316,000 (equivalent to $103,000), to the bank in June 2017. The bank asserts that its total losses includes another MYR94,000 or approximately $31,000. Management, on advice of their legal counsel, are of the view that the $103,000 recognised under other losses (Note 6) is a realiable estimate of their loss. Accordingly, the further claim of $31,000 has not been made in the financial statements.

27. COMMITMENTS AND RELATED MATTERS

Arising from the land use rights ("LURs") acquired (Note 17), 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 $390,000 comprises of $78,000, $156,000 and $156,000 for the reporting years ended 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

There is uncertainty over the future developments of the LURs. In the event that the Group is able to identify a buyer and successfully transfer the LUR at the prevailing market value to the buyer with the approval of the relevant authority, such a successful withdrawal may result in an upward adjustments to the recoverable values. The Group was in discussion with certain parties and it has not been successful to date. Separately, management is exploring alternative to develop the land in phases with a third party should the withdrawal from the LUR agreement is not successful.

In this regard, future outcome is uncertain and depending on the future developments, adjustments may be required to increase or reduce the carrying value.

However, the land has been 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 $1,280,000 as at 31 December 2017 (2016: $1,357,000) (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

28. 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Not later than one year	**134**	261	**–**	–
Later than one year and not later than five years	**25**	24	**–**	–
	159	285	**–**	–
Rental expense for the year	**620**	977	**–**	146

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 (2016: 3 months to 3 years).

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

29A. 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	**3,853**	4,822	**1,793**	1,634
Loans and receivables	**7,136**	15,925	**8,506**	10,340
At end of the year	**10,989**	20,747	**10,299**	11,974
Financial liabilities:				
Other financial liabilities at amortised cost	**2,394**	1,887	**81**	1,887
Trade and other payables at amortised cost	**5,254**	13,680	**2,574**	4,441
At end of the year	**7,648**	15,567	**2,655**	6,328

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29B. 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.

29C. 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.

29D. 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

31 DECEMBER 2017

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

29D. 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 (2016: 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables:				
31 to 60 days	**1,157**	2,610	**–**	246
61 to 90 days	**504**	1,512	**7**	58
91 to 120 days	**1,097**	1,295	**–**	–
Over 120 days	**2,027**	5,614	**205**	1,720
Total	**4,785**	11,031	**212**	2,024

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 120 days	**399**	851	**521**	532

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:

– 49% (2016: 32%) of the Group's trade receivables were due from two major customers.
– 72% (2016: 63%) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29E. 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:			
2017:			
Other financial liabilities	**555**	**1,846**	**2,401**
Trade and other payables	**5,254**	**–**	**5,254**
At end of the year	**5,809**	**1,846**	**7,655**
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
Company			
Non-derivative financial liabilities:			
2017:			
Other financial liabilities	**50**	**33**	**83**
Trade and other payables	**2,574**	**–**	**2,574**
At end of the year	**2,624**	**33**	**2,657**
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

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 26).

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 (2016: 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

31 DECEMBER 2017

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

29F. 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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial liabilities with interest:				
Fixed rate	**192**	127	**81**	127
Floating rate	**2,202**	1,760	**–**	1,760
Total at end of the year	**2,394**	1,887	**81**	1,887

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.

29G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

	US Dollars	Sterling Pound	Euro	Australian Dollars	Total
	$'000	$'000	$'000	$'000	$'000
Group					
2017:					
Financial assets:					
Cash	**774**	**122**	**53**	**–**	**949**
Receivables	**6**	**8**	**7**	**45**	**66**
Total financial assets	**780**	**130**	**60**	**45**	**1,015**
Financial liabilities:					
Payables	**772**	**25**	**208**	**–**	**1,005**
Total financial liabilities	**772**	**25**	**208**	**–**	**1,005**
Net financial assets (liabilities) at end of the year	**8**	**105**	**(148)**	**45**	**10**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

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

29G. Foreign currency risks (Continued)

	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)

	US Dollars $'000	Sterling Pound $'000	Euro $'000	Total $'000
Company				
2017:				
Financial assets:				
Cash	**624**	**89**	**13**	**726**
Receivables	**6**	**–**	**–**	**6**
Total financial assets	**630**	**89**	**13**	**732**
Financial liabilities:				
Payables	**214**	**1**	**22**	**237**
Total financial liabilities	**214**	**1**	**22**	**237**
Net financial assets (liabilities) at end of the year	**416**	**88**	**(9)**	**495**

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

29G. Foreign currency risks (Continued)

	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 assets (liabilities) at end of the year	(156)	226	34	104

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

Sensitivity analysis:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'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	**(5)**	(8)	**–**	–
– Euro	**15**	102	**1**	(3)
– Sterling Pound	**(10)**	(25)	**(9)**	(23)
– US Dollars	**(1)**	43	**(42)**	16

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.

Notes to the Financial Statements

31 DECEMBER 2017

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

29G. Foreign currency risks (Continued)

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.

30. DIVIDENDS ON EQUITY SHARES

	Rate per share – cents		Group and Company	
	2017	2016	2017	2016
			$'000	$'000
Final tax exempt (one-tier) dividend paid	–	0.5	–	1,071

The final tax exempt (one-tier) dividend was approved by the members in the annual general meeting and paid in 2016.

31. 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 material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised losses
FRS 112	Amendments to FRS 112: Disclosure of Interests in Other Entities

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

Singapore-incorporated companies listed on the Singapore Exchange are required to comply with new financial reporting standards (issued by the Singapore Accounting Standards Council) that are identical to the International Financial Reporting Standards for reporting year beginning on after 1 January 2018. The new framework is referred to as SFRS(I)s. SFRS(I) First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances, management does not anticipate that the application of SFRS(I) will have a material impact on the financial position and financial performance of the entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

32. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

For the future reporting years new or revised Singapore Financial Reporting Standards (International) and the related Interpretations to SFRS(I)s ("SFRS(I) INT") 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.

FRS No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First time adoption of Singapore Financial Reporting Standards (International)	1 January 2018
SFRS(I) 28	Amendments to SFRS(I) 28 Investments in Associates and Joint Venture – Sale or Contribution of Assets	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 15	Amendments to SFRS(I) 15: Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 January 2018
SFRS(I) 16	Leases and Leases – Illustrative Examples & Amendments to Guidance on Other Standards	1 January 2019

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 except as disclosed below:–

SFRS(I) 16 Leases

SFRS(I) 16 Leases effective for annual periods beginning on or after 1 January 2019 replaces SFRS(I) 1-17 and its interpretations. Almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low value assets). Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's operating leases (Note 28) are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under SFRS(I) 16 the Group will need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense or the lease liability at depreciation or the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in Note 28, the Group's future minimum lease payments under non-cancellable operating leases for its office use will affect premises amounted to approximately $241,000 as at 31 December 2017. The leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once SFRS(I) 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available in the Group.

STATISTIC OF SHAREHOLDINGS

AS AT 20 MARCH 2018

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1–99	10	0.93	57	0.00
100–1,000	359	33.52	357,124	0.17
1,001–10,000	407	38.00	2,016,732	0.94
10,001–1,000,000	284	26.52	25,197,585	11.76
1,000,001 & ABOVE	11	1.03	186,630,538	87.13
TOTAL	1,071	100.00	214,202,036	100.00

TOP TWENTY SHAREHOLDERS AS AT 20 MARCH 2018	NO. OF SHARES	%
XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
KOH CHIN HWA	5,501,400	2.57
TAN KIM TEE	3,001,000	1.40
DBS NOMINEES PTE LTD	2,559,238	1.20
GOH BOON KOK	2,150,000	1.00
CHENG YUN CHIANG STEVE	2,072,400	0.97
RAFFLES NOMINEES (PTE) LTD	1,621,900	0.76
UOB KAY HIAN PTE LTD	1,443,100	0.67
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,100,000	0.51
KOH AH LECK	1,038,000	0.48
KOH HOO KWEE	1,006,000	0.47
KOH GUAT YING BETTY	999,000	0.47
ONG HOCK HAI	903,000	0.42
CHIU KIM WAH (ZHAO JINHUA)	850,000	0.40
TAN THIAN TIN	781,000	0.36
YAP CHING SEOW	615,000	0.29
LAU CHAN @LUA CHAN	600,000	0.28
HENG THENG LIAN (WANG CHENGLIANG)	515,338	0.24
LEE CHEE KWAN	513,000	0.24
KOH GUAT TIN	490,000	0.23
	192,896,876	90.05

Statistic Of Shareholdings

AS AT 20 MARCH 2018

SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2018
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 of 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 2018, approximately 22.90% of the issued ordinary shares of the Company are held by the public. Accordingly, 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 Pan Asian Holdings Limited (the "Company") will be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Thursday, 26 April 2018 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements for the financial year ended 31 December 2017 and the Auditor's Report thereon. **(Resolution 1)**

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

3. To re-elect Ms Indriati Khoe, who is retiring pursuant to Article 107 of the Constitution of the Company. **(Resolution 3)**

   Ms Indriati Khoe will, upon re-election, continue to serve as a member of the Audit Committee, Nominating Committee and Remuneration Committee. She is considered a non-executive and non-independent Director for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Catalist Rules"). Ms Indriati Khoe is the spouse of Mr Koh Eddie, the Managing Director cum Chief Executive Officer of the Company and a controlling shareholder of the Company. Save as disclosed, Ms Khoe does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders. The detailed information of Ms Khoe can be found under "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2017.

4. To re-elect Mr Lam Kwong Fai, who is retiring pursuant to Article 117 of the Constitution of the Company. **(Resolution 4)**

   Mr Lam Kwong Fai will, upon re-election, continue to serve as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. The Board considers him independent for the purposes of Rule 704(7) of the Catalist Rules. Mr Lam does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders. The detailed information of Mr Lam can be found under "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report 2017.

5. To approve Directors' fees of S$137,000 for the financial year ending 31 December 2018 (FY2017: S$137,000). **(Resolution 5)**

6. To re-appoint RSM Chio Lim LLP as auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

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

7. Authority to allot and issue shares and convertible securities (Resolution 7)

(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 to:

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

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

at any time and upon such terms and conditions for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided 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 and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), 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 and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

Notice Of Annual General Meeting

(ii) (subject to calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under the sub-paragraph (i) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

a) new shares arising from the conversion or exercise of any convertible securities outstanding and/or subsisting at the time of passing of this resolution;

b) new shares from exercising share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed provided that the share options or awards (as the case may be) 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;

(iii) in exercising the authority conferred by this resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) all applicable requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall 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 and the Catalist Rules to be held, whichever is the earlier.

(See Explanatory Note 1)

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

BY ORDER OF THE BOARD

Low Mei Wan
Company Secretary

11 April 2018

Notice Of Annual General Meeting

Explanatory Note:

1. Under the Catalist Rules, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and convertible securities of the issuer of up to 100% of the issued share capital of the issuer (excluding treasury shares and subsidiary holdings) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new Shares and convertible securities issued other than on a pro-rata basis to existing shareholders must not be more than 50% of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company.

   The Ordinary Resolution 7 proposed in item 7 above, if passed, is to empower the Directors of the Company to allot and issue shares in the capital of the Company and/or Instruments. The aggregate number of Shares to be issued pursuant to this Ordinary Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed one hundred per centum (100%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company, with a sub-limit of fifty per centum (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution 7) to shareholders.

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.

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 appointed for the Meeting.

Notice Of Annual General 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, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PAN ASIAN HOLDINGS LIMITED

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

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 the 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 11 April 2018.

PROXY FORM

I/We ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

(b)				

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 Thursday, 26 April 2018 at 9.00 a.m. (the "Meeting") 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 as set out in the Notice of Meeting. 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
	Ordinary Business		
1.	To adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 and the Auditor's Report thereon.		
2.	To re-elect Mr Koh Eddie as Director		
3.	To re-elect Ms Indriati Khoe as Director		
4.	To re-elect Mr Lam Kwong Fai as Director		
5.	To approve the Directors' Fees of S$137,000 for the financial year ending 31 December 2018		
6.	To re-appoint RSM Chio Lim LLP as Auditors		
	Special Business		
7.	To authorise the Directors to issue shares and convertible securities		

Dated this __________ day of ____________________ 2018

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

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 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.

5. 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.

6. 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.

7. The Company shall be entitled to reject an 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. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by CDP to the Company.

PAN ASIAN HOLDINGS LIMITED
百益勝控股有限公司
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