Corporate Information

BOARD OF DIRECTORS

Richard Koh Chye Heng
(Chairman, appointed on 20 March 2009)

Koh Eddie
(Managing Director cum
Chief Executive Officer,
appointed on 29th May 2009)

Wu Yu Liang
(Independent Director)

Goh Boon Kok
(Independent Director)

Indriati Khoe
(Non Executive Director,
appointed on 29th May 2009)

NOMINATING COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe
(appointed on 29th May 2009)

REMUNERATION COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe
(appointed on 29th May 2009)

AUDIT COMMITTEE

Goh Boon Kok
(Chairman)

Wu Yu Liang

Indriati Khoe
(appointed on 29th May 2009)

COMPANY JOINT SECRETARIES

Ms Toon Choi Fan

Ms Joanna Lim Lan Sim

REGISTERED OFFICE AND BUSINESS ADDRESS

2 Tractor Road
Singapore 627966

COMPANY REGISTRATION NUMBER

197902790N

SHARE REGISTRAR

Boardroom Corporate
& Advisory Services Pte. Ltd.
3 Church Street, #08-01
Samsung Hub
Singapore 049483

AUDITORS

RSM Chio Lim LLP
Certified Public Accountants
(Member, RSM International)
8 Wilkie Road, #03-08
Wilkie Edge
Singapore 228095

PRINCIPAL BANKERS

The Hong Kong and Shanghai
Banking Corporation Limited
21 Collyer Quay
#08-01 HSBC Building
Singapore 049320

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

The Royal Bank of Scotland
ABN Amro Bank N.V.
Level 22, One Raffles Quay
South Tower
Singapore 048583

Our Objective

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

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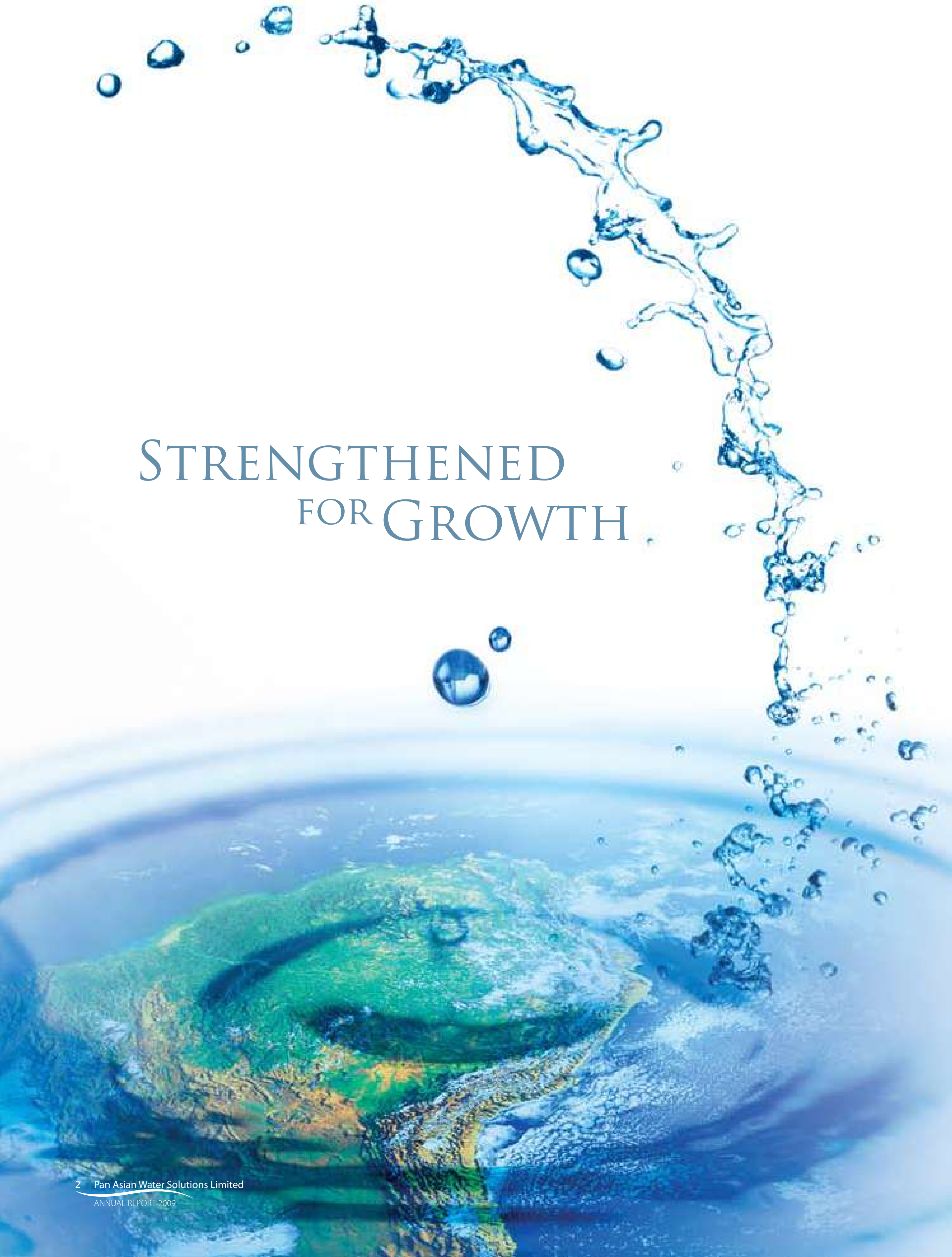
Our Vision

OUR GOALS:

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

Financial Highlights

Strengthened for Growth



Corporate Profile

Established in 1979, Singapore Exchange-listed Pan Asian Water Solutions Limited ("PAWSL") is a one-stop provider of piping system solutions, primarily for the water purification and wastewater treatment industry.

PAWSL manufactures and supplies an extensive product range with more than 750 items of ductile iron pipes, valves, gates, couplings and other accessories. With over 30 years of industry experience and strong technical expertise, we offer consultancy services in the design of complex piping systems configuration as well as fabrication services to customise our products to suit our customers' stringent requirements.

In 2009, the Group entered into a joint venture agreement to establish Duvalco Valves (Tianjin) Co. Ltd in Tianjin. PAWSL currently holds a 60% stake in this company that specialises in valves manufacturing. The JV enables us with greater control within a calculated risk in our pursuit to be the preferred provider of integrated water solutions in the Asia Pacific regions.

Headquartered in Singapore, PAWSL has over 150 employees across operations in Hong Kong, China and Jakarta, and representative offices in Vietnam, Netherlands, Abu Dhabi and India. The Group's customer base stretches across 14 countries including Asia, Europe, Middle East, and other parts of the world. With our proven credentials, PAWSL is the preferred partner for local utility authorities and private contractors engaged in the development of major water treatment projects.

Chairman's Statement

Mr Richard Koh Chye Heng
Executive Chairman

Dear Valued Shareholders,

FY2009 for Pan Asian Water Solutions Limited ("PAWSL" or the Group) can be summed up in two words. Nervous. Excited.

The global economic downturn made everyone nervous. To deal with this unprecedented economic slowdown, we took quick and decisive measures to reduce inventory, increase margins and focus on our core business.

At the same time, FY2009 excited us. It was a year of implementing sound strategies to ensure continued growth in the years ahead. We increased our global presence, launched our in-house R&D capability and moved upstream to strengthen our market position.

Despite the global economic downturn and our implementation of growth strategies, we delivered what we promised of profitable bottomline. As challenging as FY2009 was, this achievement has reaffirmed the Group's direction and reinforced our confidence in our strategies to produce results as the economy recovers.

Financial Performance

Due to the global economic downturn, the Group's gross profit decreased by 21.4% to $10.3 million in FY2009 from $13.1 million a year ago. However, the gross profit margin actually improved by 9 percentage points to 20% in FY2009 from 11% in the year before. This positive development is attributable to the management's focus on higher margin sales and projects and bodes well for PAWSL's performance in the year ahead.

FY2009 was marked by the Group's concerted effort to focus on our core business. This led to the disposal of the Group's 51% stake in our subsidiary Teacly (S) Pte Ltd.

Expansion & Growth

As we were actively reducing inventory in FY2009, we were simultaneously building the foundation for future growth.

To expand our global network, we set up representative offices in India, Holland and Abu Dhabi. For these newly established offices, we recruited key level personnel with strong track records to tap on the propitious prospects in the respective regions.

Having strengthened our downstream activities, we moved upstream. In FY2009, the Group entered into a joint venture agreement to set up Duvalco Valves (Tianjin) Co. Ltd in Tianjin. PAWSL currently holds a 60% stake in this company that specialises in valves manufacturing and offers us greater control and lower risk in our pursuit to be the preferred provider of integrated water solutions. Our initial efforts in developing and promoting Duvalco's brand of valves are already bearing fruit and we expect this division to contribute to the Group's performance.

While our vision is outwardly set on acquisition opportunities, we are inwardly focussed on organic growth. To create a culture of innovation in the company and to give our products the cutting edge, we launched our in-house R&D facility in FY2009. Working with various government bodies and institutions, we have been developing new products and innovations in all aspects of the water cycle, including green solutions that address the sustainability issues of our time.

The global water industry is a wellspring of opportunities. Water is a valuable resource that is everywhere in demand and wanting in supply. All over the world, there is a national emphasis on water infrastructure development ranging from source and supply network, to treatment and sustainability.

We are well-positioned to capitalise on these opportunities, with more than 30 years of experience, a sterling track record that includes the Public Utilities Board's major programmes, and an internationally-recognised Singapore brand. Augmented by the growth strategies implemented in FY2009, we are optimistic about the year ahead and beyond.

We also wish to highlight that on 26 February 2010, we signed a letter of intent to purchase a plot of land in Tianjin Eco-City. Setting up this base in Tianjin will enable us to further improve our value add to our existing customers, with our increased proximity to Tianjin port and our suppliers. As the Tianjin Eco-City is jointly developed by both a Singapore Consortium company and a Chinese Consortium company, we believe that our shareholders' interests will be safely protected there. In addition, the Eco-City's environmental theme is in line with the Group's direction.

Dividends

In view of the sound strategies in place for growth and the Group's confidence for the new year, the Board of Directors has proposed a final tax exempt (one-tier) dividend of 1.0 Singapore cent per share, representing a total net dividend payout of S$1,250,000 or 50% of full-year earnings.

Acknowledgement And Appreciation

On behalf of the Board of Directors, I wish to convey my heartfelt appreciation to our dedicated management and loyal staff who have diligently contributed to the continual growth of the company.

I would like to thank our strategic partners, business associates, bankers and, last but not least, our valued shareholders for their continued support and trust in the company as we emerge stronger and aim for higher growth.

Mr Richard Koh Chye Heng
Executive Chairman

Board of Directors

Mr Richard Koh Chye Heng
Executive Chairman

Appointed as the Executive Chairman from 20 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 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, Sinzhong Valves & Fitting (Wuxi) Co., Ltd, where he is the director.

Koh Eddie
Managing Director & Chief Executive Officer

Mr. Koh was appointed as the Company's Managing Director and Chief Executive Officer on 29 May 2009. He 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 course of more than 19 years, Mr. Koh has held various key positions in the Group and has accomplished many achievements both in Singapore and within the region. Mr. Koh holds a Bachelor of Engineering from National University of Singapore.

Goh Boon Kok
Independent Non-Executive Director

Appointed as an Independent Director on 20 March 2009. A certified public accountant, Mr Goh is the principal of Goh Boon Kok & Co, an accounting firm established in Singapore since 1974. Prior to that, Mr Goh had more than 10 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. He is a fellow of the Chartered Institute of Management Accountants, UK, and associate of the Chartered Institute of Secretaries and Administrators, UK. Mr Goh is also an independent director of several companies listed on the SGX-ST.

Wu Yu Liang
Independent Non-Executive Director

Appointed as an Independent Director on 20 March 2009. An advocate and solicitor for the last 23 years, 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. He is also an independent director of Jiutian Chemical Group Limited and See Hup Seng Limited, companies listed on the SGX-ST.

Indriati Khoe
Non-Executive Director

Appointed as an Non-Executive Director on 29 May 2009. Madam Khoe is the Finance Manager of Duvalco International Pte Ltd and Xu Jia Zu Holdings Pte Ltd, the majority shareholder of Pan Asian Water Solutions Ltd. She is also a director of VIP-Polymers Pte Ltd. Madam Khoe holds a Bachelor of Business (Finance & Economics) degree from Curtin University of Technology in Australia & a Diploma in Business Studies (Accountancy) and has over 20 years of financial management experience in the region.

Management Team

Mr Chew Khong Yuen,
Group Financial Controller

Mr. Chew was appointed to the position of Group Financial Controller on 1 July 2009. He is responsible for all financial, administrative and information technology matters for the Group. Mr. Chew has over 15 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.

Mr. Chee Beng Choon, Douglas,
General Manager of Sales

Mr. Chee is responsible for the overall sales and marketing and business development functions of the Company, focusing primarily in the marketing and promotion of our products and services to water purification and wastewater treatment plant system providers and public utilities boards. He oversees the maintenance of good rapport and regular contact with customers and principals, through regular product updates and sharing of best practices in the piping systems process designs and installation technologies. He holds Diplomas in Management Studies and Electronics and Communications from the Singapore Institute of Management and Singapore Polytechnic respectively and has more than 16 years of experience in the industry.

Mr. Tan Kok Cheng,
Senior Manager, Sales

Mr. Tan is responsible for the Company's domestic sales of the water and waste water segments. He has developed a close network of customers for the Company during his 29 years of services. Holding a pre-university qualifications, Mr. Tan has over 29 years of experience in the industry.

Mr. Teo Yew Leong, Eric,
General Manager of Pan Asian Water Solutions Limited - Vietnam Office

Mr. Teo is responsible for the overall business operations in Vietnam, with focus on the domestic water and wastewater businesses. He has more than 20 years of experience in the building and construction sector and has been placed with the responsibility to ensure that the subsidiary's business will grow from strength to strength. He holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore.

Mr. Kwan Koon Ho, Harvey,
General Manager of 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. His responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering. He holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 10 years of experience in the industry.

Mr. Lim Ban Heng,
General Manager of Pan Asian Water Solutions Limited

Mr Lim is playing the central role in providing critical business development support to the Group with opportunities to be involved in company-wide expansion projects and initiatives. He is also participating in both routine sales and management tasks, as well as planning, designing and implementation of business plans, defining strategies and tactics for the sales team in order to grow and generate business for the company.

Mr Lim has over 14 years of multi-faceted working experience in various business entrepreneurships in the private as well as the public sectors. He holds a Diploma in Building from Singapore Polytechnic, an honours degree in Construction Management (with specialisation in project management) from Heriot Watt University in Edinburgh, Scotland and MBA in Strategic Marketing from University of Hull in England, and a graduate diploma in Research Management from University of South Australia.

Group Structure

Head Office

Pan Asian Water Solutions Limited
2 Tractor Road
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Tel : 65-6268 7227
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Subsidiaries

Duvalco Valves & Fittings Pte Ltd.
2 Tractor Road
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Tel : 65-6265 8128
Fax : 65-6265 8028
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Fax : 65-6268 9679
E-mail : enquiry@pawatertech.com

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Tel : 852-2376 2992
Fax : 852-2376 2662
E-mail : pamhk@netvigator.com

Duvalco Valves (Tianjin) Co. Ltd
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Tianjin, PR China
Tel : 86-22 8865 1173
Fax : 86-22 2861 8659

PA Water Solutions(Shanghai) Limited
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Shanghai 200335, PR China
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Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

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Rukan Sentra Bisnis Artha Gading
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E-mail : enquiry@panasian.co.id

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Fax : 31-0-10 820 8557

Duvalco Valves & Fittings Pte Ltd
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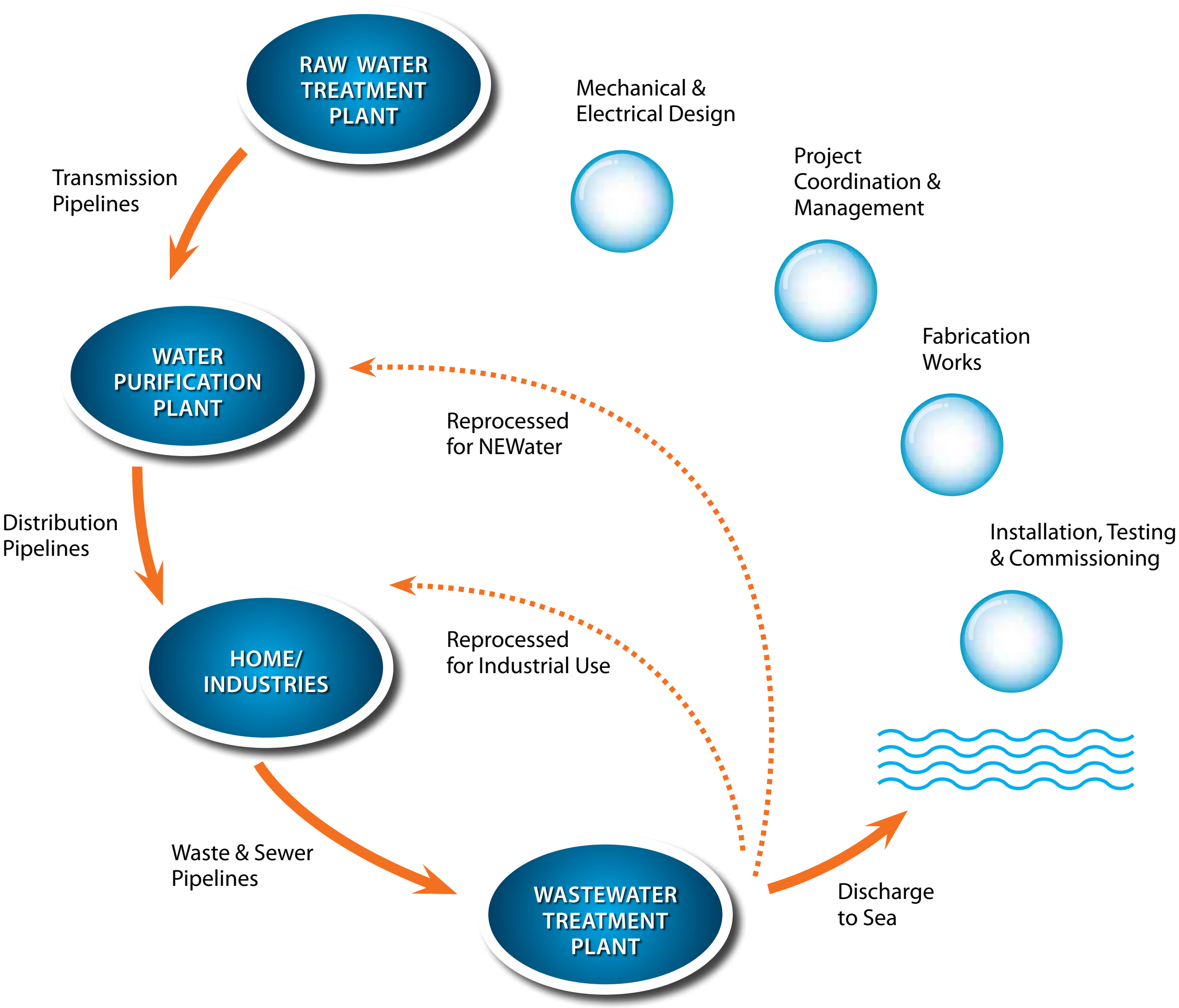
Abu Dhabi, United Arab Emirates
Tel : 971-2679 7515
Fax : 971-2679 7513

Duvalco Valves & Fittings Pte Ltd
- India
Office No. 1038
Regus Bandra Kurla Complex, Level 1
Trade Centre
Bandra Kurla Complex Bandra (East)
Mumbai 400051, India
Tel : 91-22 4070 0700
Fax : 91-22 4070 0800

Supporting The Entire Water Cycle



Despite the overall depressed market environment and a dramatic reduction in revenue, the Group managed to strengthen its Balance Sheet. Almost all items in the Balance Sheet showed an improvement in FY 2009 against FY2008. The Group's NTA per share increased to 14.83 cents in FY2009 against NTA per share of 13.52 cents in FY2008; the Group's total Financial Liabilities reduced to $2.9 million in FY2009 from $10.3 million in FY2008; and the Group's Cash and Cash Equivalent increased to $13 million from $6 million in FY2008.

Operationally, Group revenue reduced by 57.0% to $52.5 million in FY2009 from $122.3 million the year before. This was due to the general slowdown in the global economy as well as revenue reduction resulting from the disposal of subsidiary Teacly (S) Pte Ltd.

In line with the reduced revenue, gross profit decreased by 21.4% to $10.3 million in FY2009 from $13.1 million the year before, notwithstanding the improvement in gross profit margin by 9 percentage points from 11% to 20% during the year. This was the result of the management's focus on higher margin sales and projects.

Group marketing & distribution cost decreased by 14.76% from $3.6 million to $3.0 million. While this decrease was caused by the reduction in sales, it was offset by an increase in administrative expenses by 7.1% from $4.2 million to $4.5 million. This increase was caused by the setting up of business development units and new overseas representative offices.

Finance costs were lower in FY2009 at $271,000 compared to $364,000 in FY2008, due mainly to lower sales activities which were dependent on trade financing as well as aggressive repayment and prepayment of term loan. Other charges decreased by 96.1% from $1.5 million in FY2008 to $58,000 in FY2009, attributable to write-back of provision for impairment of trade debt and inventory, caused by aggressive debtor collection and inventory clearing during the period.

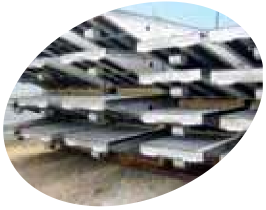
Business Segments

The adverse economic environment drastically reduced business opportunities and affected the Group's core business segments.

Sales from the Potable Water segment dropped to $37.5 million from $84.6 million in FY2008. Wastewater dropped to $4.7 million from $25 million in FY2008. NEWater dropped to $2.4 million from $10.4 million in FY2008.

In addition, the Group's growth strategy in setting up representative offices in UAE, India, Holland as well as the JV in Tianjin also increased additional cost to the Profit or Loss.

However, there was growth in the geographical segments, amidst a general drop in revenue. Singapore, Vietnam and to a lesser extent China experienced reduction in revenue and there was growth in Hong Kong and Indonesia.



Our Board of Directors and Management are committed to maintaining a high standard of corporate governance to protect the interests of our shareholders and enhance the performance of the Company and its subsidiaries ("Group").

This Report describes the Company's corporate governance processes and structures that were in place throughout the financial year 2009, with specific reference to the principles and guidelines of the Code of Corporate Governance 2005 ("Code") and where applicable the Catalist Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

BOARD MATTERS

The Board's Conduct of Its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board

The Board comprises five directors of whom two Executive Directors, one Non-Executive Director and two Independent Directors. Together, the Directors bring a wide range of business, legal and financial experiences and expertise relevant to the Group.

Richard Koh Chye Heng	Executive Chairman
Koh Tiam Teng	Managing Director and Chief Executive Officer (resigned on 28 May 2009)
Koh Eddie	Managing Director cum Chief Executive Officer (with effect from 29 May 2009)
Wu Yu Liang	Independent Director
Goh Boon Kok	Independent Director
Indriati Khoe	Non-Executive Director (appointed on 29 May 2009)

The Board's key responsibilities include providing leadership and supervision to the Management of the Company and the subsidiaries with a view to protecting shareholders' interests and enhancing long-term shareholder value.

The Board's principal responsibilities are to:

a) 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) establish goals for management and monitor the achievement of these goals;

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

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

The Board has adopted a set of internal controls and guidelines which set out authority and approval procedures and limits for investments and divestments, capital expenditure and cheque signatory arrangements.

The Board conducts scheduled meetings at least four times a year to coincide with the announcement of the Group's half-year and full-year results. Ad-hoc meetings are convened as and when they are deemed necessary in between the scheduled meetings to deliberate on strategic matters and policies including significant acquisitions and disposals, annual budget, review of the performance of the business and any significant transactions or corporate developments. At the meetings of the Board, the Directors are free to discuss and openly challenge the views presented by Management and other Directors. The decision making process is an objective one.

The Company's Articles of Association provide for the Board to convene meetings via teleconferencing and electronic means. In lieu of physical meetings, written resolutions were also circulated for approval by members of the Board.

The number of Board and Board Committee meetings held during the financial year ended 31 December 2009 and the attendance of each Director are as follows :-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	7	5	4	4
Richard Koh Chye Heng	7	NA	NA	NA
Koh Eddie[5]	7	2	2	2
Koh Tiam Teng[1]	3	NA	1	NA
Goh Boon Kok[2]	6	4	3	3
Wu Yu Liang[2]	6	4	3	3
Indriati Khoe[3]	2	2	1	1
Lim Ho Seng[4]	1	1	1	1
Ang Miah Khiang[4]	1	1	1	1
Wong Meng Yeng[4]	1	1	NA	1

[1] resigned on 28 May 2009
[2] appointed on 20 March 2009
[3] appointed on 29 May 2009
[4] resigned on 19 March 2009
[5] resigned as Nominating Committee and Remuneration Committee on 29 May 2009

The Board is supported by key board committees namely, Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC") to which are delegated specific key roles and responsibilities.

The Company will provide a formal letter to newly appointed Directors upon their appointment setting out their statutory duties and responsibilities as Directors. All new and existing Directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry specific knowledge.

Board members are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties and responsibilities as Directors. The Company works closely with professionals to provide Directors with information relating to changes in relevant laws, regulations and accounting standards.

Board Composition And Balance

Principle 2: 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. 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 criterion of independence is based on the definition given in the Code. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies 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 NC has reviewed and determined that the Independent Directors namely Mr. Goh Boon Kok and Mr. Wu Yu Liang are independent. The independence of each Director is reviewed annually by the NC.

A new director is appointed by the Board after the NC has reviewed and recommended his/her appointment.

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations. The Board members provide a range of core competencies in accounting, finance, legal, business management experience and expertise and industry knowledge that provide effective direction for the Group.

The Company has complied with the recommendation under the Code for Independent Directors making up at least one-third of the Board.

The profiles of the Directors are found on pages 6 to 7 of this Annual Report.

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company on the working of the Board and the executive responsibility of the company's business which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power

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

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

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

Mr Koh Tiam Teng has tendered his resignation on 28 May 2009 as Chief Executive Officer and Managing Director of the Company and his resignation was accepted by the Board.

With effect from 29 May 2009, Mr Koh Eddie was appointed as Managing Director cum Chief Executive Officer of the Company and will be responsible for the day-to-day management and operations of the Group. There is no concentration of power as the Group is run objectively on a transparent basis as the Board feels that there is adequate representation of independent and non Executive Directors on the Board.

Our Executive Chairman is guided by recommendations provided by the Chairman of the AC, Chairman of the NC, Chairman of the RC, Group Financial Controller and the Company Secretary and responsible for, among others,

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

(b) direct meetings of the Board and set Board meeting agenda in consultation with the Company's senior management;

(c) promote high standards of corporate governance and assist in ensuing compliance of the Company's guidelines on corporate governance;

(d) ensure effective communication with its shareholders; and

(e) facilitate effective contribution of non-executive directors.

The Chief Executive Officer and Managing Director is the most senior executive in the Company and has full executive responsibilities over the operations for the Group.

Both the Executive Chairman and Chief Executive Officer and Managing Director exercise control over quality, quantity and timeliness of the flow of information between management and the Board.

Board Membership

Principle 4 : There should be a formal and transparent process for the appointment of new Directors to the Board

All the NC members are non executive Directors, the majority of whom are independent of management.

Chairman	:	Wu Yu Liang
Member	:	Goh Boon Kok
Member	:	Koh Eddie (resigned on 29 May 2009)
Member	:	Indriati Khoe (appointed on 29 May 2009)

The Chairman of the NC is independent and is not associated in any way with the substantial shareholders of the Company.

Mr Koh Eddie tendered his resignation as a member of the NC on 29 May 2009 and Mdm Indriati Khoe was subsequently appointed as a member of the NC on 29 May 2009.

Mdm Indriati Khoe has more than 15 years of working experience in accounting and related finance management.

The NC is established for 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 duties and responsibilities of the NC are as follows:

a) To determine the criteria for the appointment of new Directors;
b) To set up a process for the selection of such appointment;
c) To review nominations for the appointment of Directors to the Board;
d) To make recommendations to the Board on all board appointments;
e) To re-nominate Directors having regard to the director's contribution and performance;
f) To determine annually whether or not a Director is independent; and
g) To make recommendation to the Board the performance criteria and appraisal process to be used for the evaluation of the individual Directors as well as the effectiveness of the Board as a whole, which criteria and process shall be subject to Board's approval.

The Articles of Association of the Company currently require one-third of the Directors to retire and subject themselves to re-election by the shareholders at every Annual General Meeting ("AGM"). In addition, all Directors of the Company shall retire from office at least once every three years.

Details of the Board members' qualifications and experience are found on pages 6 to 7.

The NC has recommended that Mr Richard Koh Chye Heng, Mr Koh Eddie who are retiring under Articles 107 and 112 respectively at the forthcoming AGM to be re-elected. The NC also recommended Mdm Indriati Khoe who is retiring under Article 117 at the forthcoming AGM, to be re-elected.

The retiring directors have offered themselves for re-election/re-appointment. The Board has accepted the recommendations of the NC.

The dates of initial appointment and re-election of the Directors are set out below:-

Director	Position	Date of Initial Appointment	Date of Last Re-election
Richard Koh Chye Heng	Executive Chairman	26 May 2008	23 April 2009
Koh Eddie	Managing Director cum Chief Executive Officer	1 December 1989	23 April 2008
Wu Yu Liang	Independent Director	20 March 2009	23 April 2009
Goh Boon Kok	Independent Director	20 March 2009	23 April 2009
Indriati Khoe	Non-Executive Director	29 May 2009	NA

Board Performance

Principle 5 : There should be a formal assessment of the effectiveness of the Board as a whole 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 as a whole as well as the contribution of individual Directors. It focuses on a set of criteria which include the evaluation of the size and composition of the Board, the Board's access to information, Board process and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standard of conduct.

The NC reviews and determines the independence of each Director and assesses the effectiveness of the Board as a whole and of individual Directors. The NC has reviewed and assessed the effectiveness of the Board based on the criteria approved by the Board. The NC is of the opinion that each member of the Board had been effective during the year 2009 having regard to the active participation of each Board member during each Board and Committee meeting.

Access To Information

Principle 6 : In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis

The Board is furnished with Board papers prior to a Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, reports relating to investment proposals, budgets, financial results announcements, and reports from various committees, internal and external auditors.

The Directors may communicate directly with the Management team and the Company Secretary on all matters whenever they deem necessary. The Company Secretary attends all Board meetings and is responsible for recording minutes of the proceedings.

The Company currently does not have a formal procedure for Directors to seek independent and professional advice in the furtherance of their duties. However, Directors may, on a case-to-case basis, propose to the Board for such independent and professional advice, at the Company's expense.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7 : There should be a formal and transparent procedure for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration

The RC is established for 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 members of the RC are :-

Chairman	:	Wu Yu Liang
Member	:	Goh Boon Kok
Member	:	Koh Eddie (resigned on 29 May 2009)
Member	:	Indriati Khoe (appointed on 29 May 2009)

All of the RC members are non executive Directors, majority of whom are independent of management. The RC has experience in the field of executive compensation. The RC may seek professional advice where necessary.

Mr Koh Eddie tendered his resignation as a member of the RC on 29 May 2009 and Mdm Indriati Khoe was subsequently appointed as a member of the RC on 29 May 2009.

Mdm Khoe is the daughter-in-law of Mr Richard Koh Chye Heng (Executive Chairman) and spouse of Mr Koh Eddie (Managing Director cum Chief Executive Officer), has abstained from discussion and approval of remuneration matters of the Executive Chairman and Managing Director cum Chief Executive Officer.

The duties and responsibilities of the RC are as follows:

a) To review and recommend to the Board in consultation with senior Management a framework of remuneration for Executive Directors, Chief Executive Officer ("CEO") and senior Management staff;
b) To review the remuneration packages of all managerial staff, if any, that are related to any of the executive Directors or CEO; and
c) To recommend to the Board in consultation with senior Management and the Chairman of the Board, the Executives' and other Employees' incentive schemes.

Level of Mix of Remuneration

Principle 8 : The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more for this purpose. A significant proportion of the remuneration especially that of Executive Directors, should be linked to corporate and individual performance

The RC reviews the remuneration of all Directors and key executives and approves recommendations on remuneration policies and packages for such persons. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

The remuneration of Executive Chairman Mr Richard Koh Chye Heng is based on Service Agreement dated 20 March 2009 and the Service Agreement is for a period of three years with effect from 20 March 2009.

The remuneration of Managing Director cum Chief Executive Officer of Mr Koh Eddie is based on Service Agreement dated 29 May 2009 and the Service Agreement is for a period of two years with effect from 29 May 2009.

The Independent Directors and Non-Executive Director are paid Directors fees for their efforts and time spent, responsibilities and contribution to the Board, subject to approval by shareholders 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.

Disclosure on Remuneration

Principle 9 : Each company should provide clear disclosure of its remuneration policy, 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 executives and performance

The breakdown of remuneration of the Directors and key management staff of the Company for the year ended 31 December 2009 is set out below :

Remuneration Band up to S$250,000

Name	Fixed Salary/ Fees	Variable	Other Benefits
Independent Directors			
Goh Boon Kok (appointed on 20 March 2009)	100%	-	-
Wu Yu Liang (appointed on 20 March 2009)	100%	-	-
Lim Ho Seng (resigned on 20 March 2009)	100%	-	-
Ang Miah Khiang (resigned on 20 March 2009)	100%	-	-
Wong Meng Yeng (resigned on 20 March 2009)	100%	-	-
Non-Executive Directors			
Indriati Khoe (appointed on 29 May 2009)	100%	-	-
Key Management Staff			
Chee Beng Choon, Douglas	88%	12%	-
Tan Kok Cheng	62%	38%	1%
Lau Choon Hong (resigned on 26 June 2009)	100%	-	-
Chew Khong Yuen (appointed on 1 July 2009)	88%	12%	-
Phua Chai Dow, Steven (resigned on 2 September 2009)	100%	-	-
Lim Ban Heng (appointed on 4 May 2009)	95%	5%	-
Teo Yew Leong, Eric	87%	13%	-
Kwan Koon Ho, Harvey	26%	74%	-
Wu Xiangdong (resigned on 31 May 2009)	98%	2%	-

Remuneration Band from S$250,001 to S$500,000

Name	Fixed Salary/ Fees	Variable	Other Benefits
Executive Directors			
Richard Koh Chye Heng	66%	20%	14%
Koh Eddie (appointed to Managing Director cum Chief Executive Officer on 29 May 2009)	62%	23%	15%
Koh Tiam Teng (resigned on 28 May 2009)	73%	-	27%

The remuneration of the Directors and key executives is reviewed by the RC and is disclosed in the Annual Report. The Board is of the opinion that it is not necessary to invite the shareholders to approve the Board's annual remuneration report and policy.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10 : The Board should present a balanced and understandable assessment of the Company's financial performance, position and prospects

For the financial performance reporting via the SGXNET announcement to SGX-ST and the Annual Report to the 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 ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

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

Audit Committee

Principle 11 : The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties

The AC comprises three members, all of whom are Non-Executive, majority of whom are independent of management.

Chairman	:	Goh Boon Kok
Member	:	Wu Yu Liang
Member	:	Kok Eddie (resigned on 29 May 2009)
Member	:	Indriati Khoe (appointed on 29 May 2009)

The members have the appropriate accounting or related financial management experience or expertise.

Mr Koh Eddie tendered his resignation as a member of the AC on 29 May 2009 and Mdm Indriati Khoe was subsequently appointed as a member of the AC on 29 May 2009.

The Board is of the opinion that the members of the AC have sufficient financial management and expertise and experience in discharging their duties and responsibilities.

The role of the AC is to 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 functions and responsibilities of the AC include the following:

a) To review the audit plan, system of internal accounting controls and the audit report with the external auditors;
b) To review the assistance given by the Company's officers to the external auditors;
c) To review the independence and objectivity of the external auditors annually;
d) To nominate external auditors for re-appointment;
e) To review the financial statements of the Company and the half year and full year financial results and the respective announcements before submission to the Board of Directors;
f) To review significant financial reporting issues and judgments having regard to the requirements of the Catalist Listing Manual of the SGX-ST; and
g) To review and approve interested person transactions.

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 AC meets with the external auditors separately, at least once a year, without the presence of Management.

The AC has conducted an annual review of the volume of non-audit services rendered by the external auditors to the Group to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.

The Company has put into place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, raised concerns about possible corporate improprieties in matters of financial reporting or other matters.

Internal Controls

Principle 12 : The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's Management 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 notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Internal Audit

Principle 13 : The Company should establish an internal audit function that is independent of the activities it audits

The role of the internal auditors is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the Audit Committee.

The Company had appointed LTC & Associates as its internal auditors for the financial year 2008.

The Company had discontinued the services of LTC & Associates in 2009. In the course of the financial year 2009, the Company was establishing its in-house internal audit department staffed by suitably qualified executives and the internal audit department was reviewing and formulating the internal audit programme for the Company and the Group.

The internal audit department plans its review in consultation with, but independent of management and its plan is submitted to and approved by the Audit Committee.

The internal auditors' primary line of reporting is to the chairman of the Audit Committee and to the Group Financial Controller on administrative matters. The results of the Internal Audit Department's findings will also be shared with the external auditors to assist them in their audit planning and also for them to perform further checks on the areas identified that requires improvement.

Communication with Shareholders

Principle 14 : Companies should engage in regular, effective and fair communication with shareholders

The Company endeavours to communicate regularly, effectively and fairly with its shareholders.

The Board ensures that materials and information helpful to shareholders are released on a timely basis. All announcements are communicated to the shareholders through SGXNET.

Principle 15 : Companies should encourage greater shareholder participation at Annual General Meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the Company

The AGM 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.

In addition, the Chairmen of the respective committees and the external auditors will be present at the AGM to address any queries from the shareholders.

DEALINGS IN SECURITIES

[Catalist Rule 1204(18)]

The Company has set out guidelines to the Directors and key executives of the Group in relation to dealings in the Company's securities. These guidelines prohibit the Directors and key executives from dealing in the listed securities of the Group while in possession of material or price sensitive information and during the period commencing 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.

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

INTERESTED PERSON TRANSACTIONS POLICY

[Catalist Rule 907]

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval. The Audit Committee has reviewed the interested person transactions for the financial year 2009 conducted pursuant to the shareholders' mandate obtained in accordance with Chapter 9 of the Catalist Listing Manual of the Singapore Exchange Securities Trading Limited and is satisfied that the transactions were on normal commercial terms.

The aggregate value of interested person transactions entered into during the financial year 2009 pursuant to Rule 920 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Duvalco International Pte Ltd	-	$1,302,150
Sin Zhong Valves & Fittings (Wuxi) Co Ltd	-	$445,174

RISK MANAGEMENT

[Catalist Rule 1204(4)(B)(IV)]

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. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and Board.

MATERIAL CONTRACTS

[Catalist Rule 1204(8)]

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

NON-AUDIT FEES

[Catalist Rule 1204 (6)(A)]

In compliance with Rule 1204(6)(A) of the Catalist Rules, there was no non-audit fee paid to the auditors, RSM Chio Lim LLP, for the year under review.

NON-SPONSOR FEES

[Catalist Rule 1204 (20)]

In compliance with Rule 1204(20) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, Collins Stewart Pte. Limited for the year under review.

Directors' Report And Financial Statements

Contents

Directors' Report

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December2009.

1. Directors at Date of Report

The directors of the company in office at the date of this report are:

Richard Koh Chye Heng	(appointed on 20 March 2009)
Koh Eddie	(appointed on 29 May 2009)
Goh Boon Kok	(appointed on 20 March 2009)
Wu Yu Liang	(appointed on 20 March 2009)
Indriati Khoe	(appointed on 29 May 2009)

2. Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap. 50 except as follows:

Name of directors and companies in which interests are held	Deemed interest	
	At date of appointment	At end of year
In the Company	Number of shares of no par value	
Koh Eddie	100,000,000	100,000,000
Richard Koh Chye Heng [(A)]	100,000,000	100,000,000

3. Directors' Interests in Shares and Debentures (Cont'd)

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

By virtue of section 7 of the Companies Act, Cap. 50, Koh Eddie and Koh Chye Heng, Richard are deemed to have an interest in all the related corporations of the company. The directors' interests as at 21 January 2010 were the same as those at the end of the year.

[(A)] Koh Chye Heng, Richard is holding 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's Memorandum & Articles of Association, he is deemed to, or have the ability to exercise dominant influence over the parent company as well as the listed company.

4. Contractual Benefits of Directors

Since the beginning of the financial year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50 by reason of a contract made by the company or a related corporation with the director or chief executive officer or controlling shareholder or with a firm of which he is a member, or with a company in which he has a substantial financial interest except disclosed in the financial statements. Certain directors of the company received remuneration from related corporation in his capacity as director of the related corporation.

There were certain transactions (shown in the financial statements) with corporations in which certain directors have an interest.

5. Options to take up Unissued Shares

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. Options Exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

8. Audit Committee

The members of the audit committee at the date of this report are as follows:

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

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

- Reviewed with the independent external auditors their audit plan;
- Reviewed with the independent external auditors their report on the financial statements and the assistance given by the company's officers to them;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Catalist Listing Manual of SGX).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditors objectivity and independence is safeguarded where the independent auditors provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditors, RSM Chio Lim LLP, be nominated for re-appointment as independent auditors at the next annual general meeting of the company.

9. Independent Auditors

The independent auditors, RSM Chio Lim LLP, have expressed their willingness to accept re-appointment.

10. 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 25 February 2010, 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

....
Eddie Koh
Director

18 March 2010

Statement By Directors

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statement of financial position, statement of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December2009 and of the results and cash flows of the group and changes in equity for the company and of the group for the financial year then ended; and

(b) at the date of this 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.

On Behalf of The Directors

....
Richard Koh Chye Heng
Director

....
Eddie Koh
Director

18 March 2010

We have audited the accompanying financial statements of Pan Asian Water Solutions Limited and its subsidiaries (the group) set out on pages 33 to 82 , which comprise the statements of financial position of the group and the company as at 31 December2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flow of the group, and statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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 statement of comprehensive income and statement of financial position and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

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

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

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

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December2009 and the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the independent auditors have been properly kept in accordance with the provisions of the Act.

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

18 March 2010

Partner in charge of audit: Chia Meng Ru
Effective from year ended 31 December 2007

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2009

	Notes	Group 2009 $'000	Group 2008 $'000
Revenue	5	52,531	122,283
Cost of Sales		(42,263)	(109,186)
Gross Profit		10,268	13,097
Other Items of Income			
Interest Income		6	8
Other Credits	6	773	165
Other Items of Expense			
Marketing and Distribution Costs		(3,085)	(3,619)
Administrative Expenses		(4,519)	(4,230)
Finance Costs	7	(271)	(364)
Other Charges	6	(58)	(1,507)
Profit Before Tax from Continuing Operations		3,114	3,550
Income Tax Expense	9	(567)	(661)
Profit from Continuing Operations, Net of Tax		2,547	2,889
Other Comprehensive Income:			
Exchange Differences on Translating Foreign Operations, Net of Tax		(243)	166
Other Comprehensive Income for the Year, Net of Tax:		(243)	166
Total Comprehensive Income		2,304	3,055
Profit Attributable to Owners of the Parent, Net of Tax		2,499	2,661
Profit Attributable to Non-Controlling Interests, Net of Tax		48	228
Profit, Net of Tax		2,547	2,889
Total Comprehensive Income Attributable to Owners of the Parent		2,256	2,827
Total Comprehensive Income Attributable to Non-Controlling Interests		48	228
Total Comprehensive Income		2,304	3,055

Consolidated Statement of Comprehensive Income

Year Ended 31 December2009

	Notes	Group 2009	2008
Earnings Per Share			
Earnings per Share Currency Unit		Cents	Cents
Basic and Diluted	10		
Continuing Operations		2.00	2.13

The accompanying notes form an integral part of these financial statements

Statement of Financial Positions

As at 31 December 2009

	Notes	Group		Company	
		2009	2008	2009	2008
		$'000	$'000	$'000	$'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	3,557	6,380	3,518	4,215
Investments in Subsidiaries	12	–	–	2,484	1,574
Other Assets	13	87	71	87	71
Deferred Tax Assets	9	55	440	–	–
Total Non-Current Assets		3,699	6,891	6,089	5,860
Current Assets					
Assets held for sale under FRS 105	14	549	–	549	–
Inventories	15	6,556	8,520	6,182	6,991
Trade and Other Receivables	16	9,052	33,025	8,411	29,358
Other Assets	17	559	1,008	206	443
Cash and Cash Equivalents	18	13,123	5,561	10,028	2,890
Total Current Assets		29,839	48,114	25,376	39,682
Total Assets		33,538	55,005	31,465	45,542
EQUITY AND LIABILITIES					
Equity attributable to owner of the parent					
Share Capital	19	8,947	8,947	8,947	8,947
Other Reserves	20	(301)	(90)	–	–
Retained Earnings		9,888	8,046	8,482	6,831
Equity, Attributable to Owners of the Parent, Total		18,534	16,903	17,429	15,778
Non-Controlling Interests		–	747	–	–
Total Equity		18,534	17,650	17,429	15,778
Non-Current Liabilities					
Deferred Tax Liabilities	9	81	81	81	81
Other Financial Liabilities	21	1,021	662	1,021	213
Total Non-Current Liabilities		1,102	743	1,102	294
Current Liabilities					
Income Tax Payable		520	1,171	291	528
Other Financial Liabilities	21	1,892	9,680	1,892	7,160
Trade and Other Payables	22	11,490	25,761	10,751	21,782
Total Current Liabilities		13,902	36,612	12,934	29,470
Total Liabilities		15,004	37,355	14,036	29,764
Total Equity and Liabilities		33,538	55,005	31,465	45,542

The accompanying notes form an integral part of these financial statements

Statement Of Changes In Equity
Year Ended 31 December 2009

Group:	Total Equity $'000	Non-Controlling Interest $'000	Attributable To Parent Sub-total $'000	Share Capital $'000	Retained Earnings $'000	Other Reserves $'000
Current Year:						
Opening Balance at 1 January 2009	17,650	747	16,903	8,947	8,046	(90)
Movements in Equity:						
Total Comprehensive Income for the Year	2,304	48	2,256	–	2,499	(243)
Dividends Paid (Note 23)	(625)	–	(625)	–	(625)	–
Transfer to Statutory Reserve (Note 20)	–	–	–	–	(32)	32
Disposal of subsidiary	(795)	(795)	–	–	–	–
Closing Balance at 31 December2009	18,534	-	18,534	8,947	9,888	(301)
						Note 20
Previous Year:						
Opening Balance at 1 January 2008	15,095	519	14,576	8,947	5,896	(267)
Movements in Equity:						
Total Comprehensive Income for the Year	3,055	228	2,827	–	2,661	166
Dividends Paid (Note 23)	(500)	–	(500)	–	(500)	–
Transfer to Statutory Reserve (Note 20)	–	–	–	–	(11)	11
Closing Balance at 31 December2008	17,650	747	16,903	8,947	8,046	(90)
						Note 20

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity
Year Ended 31 December 2009

Company:	Total equity $'000	Share Capital $'000	Retained Earnings $'000
Current Year:			
Opening Balance at 1 January 2009	15,778	8,947	6,831
Movements in Equity:			
Total Comprehensive Income for the Year	2,276	–	2,276
Dividends Paid (Note 23)	(625)	–	(625)
Closing Balance at 31 December2009	17,429	8,947	8,482
Previous Year:			
Opening Balance at 1 January 2008	13,299	8,947	4,352
Movements in Equity:			
Total Comprehensive Income for the Year	2,979	–	2,979
Dividends Paid (Note 23)	(500)	–	(500)
Closing Balance at 31 December 2008	15,778	8,947	6,831

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

Year Ended 31 December 2009

	Group	
	2009	2008
	$'000	$'000
Cash Flows from Operating Activities		
Profit Before Tax	3,114	3,550
Adjustment for:		
Depreciation of Property, Plant and Equipment	462	5,963
Gain on Disposal of Property, Plant and Equipment	–	(133)
Loss on Disposal of Other Asset	–	13
Loss on Disposal of Subsidiary	56	–
Impairment Losses on Other Asset	2	5
Interest Income	(6)	(8)
Interest Expense	271	364
Operating Cash Flow before Changes in Working Capital	3,899	9,754
Cash Restricted in Use Over 3 months	(1,575)	–
Trade and Other Receivables	19,524	(12,474)
Other Assets	449	(146)
Inventories	1,209	(2,547)
Trade and Other Payables	(11,028)	6,466
Net Cash Flows From Operations Before Interest and Tax	12,478	1,053
Income Taxes Paid	(600)	(152)
Net Cash Flows Generated From Operating Activities	11,878	901
Cash Flows From Investing Activities		
Disposal of Property, Plant and Equipment	65	241
Purchase of Property, Plant and Equipment (Note 18B)	(151)	(3,528)
Disposal of Subsidiary (Net of Cash Disposed) (Note 24)	67	–
Purchase of Other Assets	(60)	(39)
Disposal of Other Assets	42	28
Interest Received	6	8
Net Cash Flows Used in Investing Activities	(31)	(3,290)
Cash Flows From Financing Activities		
Interest Paid	(271)	(364)
Dividends Paid to Equity Owners	(625)	(500)
(Decrease) / Increase in Other Liabilities	(4,756)	5,741
Finance Lease Repayments	(110)	(781)
Net Cash Flows (Used in) / From Financing Activities	(5,762)	4,096
Net Increase / (Decrease) in Cash and Cash Equivalents	6,085	1,707
Effect of Exchange Rate Changes on Cash and Cash Equivalent	(98)	63
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	5,087	3,317
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 18A)	11,074	5,087

The accompanying notes form an integral part of these financial statements

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the parent and the group's subsidiaries.

The board of directors approved and authorised these financial statements for issue on 18 March 2010.

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

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

The registered office: 2 Tractor Road, Singapore 627966. The company is domiciled in Singapore.

2. Summary of Significant Accounting Policies

Accounting Convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Cap 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.

Basis of Presentation

The consolidation accounting method is used for the consolidated financial statements that include the financial statements made up to the end of the reporting year each year of the company and all of its directly and indirectly controlled subsidiaries. Consolidated financial statements are the financial statements of the group presented as those of a single economic entity. The consolidated financial statements 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 dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are accounted for from the respective dates of acquisition or up to the dates of disposal which is the date on which effective control is obtained of the acquired business until that control ceases. On disposal the attributable amount of goodwill if any is included in the determination of the gain or loss on disposal.

The company's financial statements have been prepared on the same basis, and as permitted by the Companies Act, Cap. 50, no statement of income is presented for the company.

2. Summary of Significant Accounting Policies (Cont'd)

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 period. 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.

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the activities of the entity and it is shown net of any related sales taxes, estimated returns 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 performed and 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 is recognised using the effective interest method. Dividends on equity instrument are recognised in profit or loss when the entity's right to receive payment is established. Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see below).

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 agrees to contribute to an independently administered fund which is the Central Provident Fund in Singapore (a government managed 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.

Certain subsidiaries operate a defined contribution provident fund scheme, in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund are held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to profit or loss in the period to which they relate. This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. 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.

2. Summary of Significant Accounting Policies (Cont'd)

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. Income tax expense represents the sum of the tax currently payable 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 except where the company 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.

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 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.

2. Summary of Significant Accounting Policies (Cont'd)

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 entity operates. In translating the financial statements of an investee for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the group are translated at end of the reporting year rates of exchange and the income and expense items are translated at average rates of exchange for the 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 investee.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds 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. Other borrowing costs are recognised as an expense in the period in which they are incurred. The interest expense is calculated using the effective interest rate method.

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 buildings	-	Over the terms of lease that are from 2% to 5.5%.
Plant and equipment	-	10% to 33.33%.

For plant and equipment purchased specifically for a long term contract, depreciation is provided on a straight-line basis over the life of the contract.

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 determined 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, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent cost 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.

2. Summary of Significant Accounting Policies (Cont'd)

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Leases

Whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. 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 determined 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 period 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 periods 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. Rental income from operating leases is recognised 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. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights or the ability to appoint or remove the majority of the members of the board of directors or to cast the majority of votes at meetings of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

In the company's own separate financial statements, an investment in a subsidiary is stated 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 net book value of a subsidiary is not necessarily indicative of the amounts that would be realised in a current market exchange.

2. Summary of Significant Accounting Policies (Cont'd)

Business Combinations

Business combinations are accounted for by applying the acquisition method. There is none during the year.

Non-Controlling Interests

The non-controlling interests in the net assets and net results of consolidated subsidiary are shown separately in the appropriate components of the consolidated financial statements. 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. Losses applicable to the non-controlling interest in excess of the non-controlling interest's interest in the subsidiary's equity are not allocated against the interests of the owners of the parent from 1 July 2009.

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 to sell and its value in use. In assessing 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 determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial Assets

Initial recognition and measurement and derecognition of financial assets:

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.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control.

2. Summary of Significant Accounting Policies (Cont'd)

Financial Assets (Cont'd)

Subsequent measurement:

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

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

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

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

4. Available for sale financial assets: As at year end date there were no financial assets classified in this category.

Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (Cont'd)

Financial Liabilities

Initial recognition and measurement:

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. 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: As at year end date there were no financial liabilities classified in this category.

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

Financial Guarantees

A financial guarantee contract requires that the issuer makes specified payments to reimburse the holder for a loss when a specified debtor fails to make payment when due. Financial guarantee contracts are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18.

Assets Classified as Held for Sale

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. 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 to sell 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. The depreciation on depreciable assets is ceased.

2. Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments. Disclosures of fair value are not made when the carrying amount current financial instruments is a reasonable approximation of fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant items at the end of the reporting year and in the event the fair values are disclosed in the relevant notes. The maximum exposure to credit risk is the fair value of the financial instruments at the end of the reporting year. The fair value of a financial instrument is derived from an active market or by using an acceptable valuation technique. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for an asset to be acquired or liability held, the asking price. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The fair value measurements are classified using a fair value hierarchy of 3 levels that reflects the significance of the inputs used in making the measurements, that is, Level 1 for the use of quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 for the use of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and Level 3 for the use of inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Where observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

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 for 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.

Construction Contracts

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

2. Summary of Significant Accounting Policies (Cont'd)

Construction Contracts (Cont'd)

When the outcome of a construction contract cannot be estimated reliably: (a) revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and (b) contract costs are recognised as an expense in the period in which they are incurred.

Equity

Equity instruments are contracts that give a residual interest in the net assets of the company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

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. Provisions are 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 the profit or loss in the period they occur.

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 within the next financial year are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for doubtful accounts:
An allowance is made for doubtful 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. Management generally analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful trade accounts. 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 financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

2. Summary of Significant Accounting Policies (Cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (Cont'd)

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate 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 benchmarks 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 judgment 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 valuation of inventory. The amounts at the end of the reporting year at the group's and company's were $6,556,000 and $6,182,000 respectively.

Deferred tax estimation:
Management judgment is required in determining the amount of current and deferred tax recognised as income or expense and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination. The amount of the deferred tax asset at the end of the reporting year at the group level was $55,000.

Property, plant and equipment:
There are property, plant and equipment stated at carrying value of $3,557,000. An assessment is made at each end of the 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 recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. If the revised estimated gross margin is less favourable than that used in the calculations there would be a need to provide for impairment. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next financial 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 affected by the assumption at the group's and company's level were $3,557,000 and $3,518,000 respectively.

2. Summary of Significant Accounting Policies (cont'd)

Critical Judgements, Assumptions and Estimation Uncertainties (cont'd)

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 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 financial 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 at the group's and company's level are $3,557,000 and $3,518,000 respectively.

3. Related Party Transactions

FRS 24 defines a related party as an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. The definition includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

3.1 Related companies:

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

There are transactions and arrangements between the company and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances if significant an interest is imputed, unless stated otherwise, based on the prevailing market interest rate for similar debt less the interest rate if any provided in the agreement for the balance. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable.

3. Related Parties Transactions (Cont'd)

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 transaction and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:-

	Ultimate parent company	
	2009	2008
	$'000	$'000
Rental expense	19	19

3.2 Other related parties:

There are transactions and arrangements between the company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances if significant an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance. For financial guarantees a fair value is imputed and is recognised accordingly if significant where no charge is payable.

Significant related party transactions:

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

	Other related parties	
	2009	2008
	$'000	$'000
Rental expense	47	52
Professional fee expense	33	–
Purchases of goods	1,747	6,785

3.3 Key management compensation:

	2009	2008
	$'000	$'000
Salaries and other short-term employee benefits	2,155	1,515

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

	2009	2008
	$'000	$'000
Remuneration of directors of the company	1,197	623
Fees to directors of the company	125	125

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. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related corporations in their capacity as directors and or executives of those related corporations.

3. Related Parties Transactions (Cont'd)

3.4 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 and the other payables to related parties are as follows:

Company	Subsidiaries	
	2009	2008
	$'000	$'000
Other receivables/(other payables):		
Balance at beginning of year	4,496	2,908
Amount paid out and settlement of liabilities on behalf of another party	19	1,588
Amount paid in and settlement of liabilities on behalf of the company	(3,768)	–
Balance at end of year	747	4,496

4. Financial Information by Operating Segment

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities

FRS 108 Operating Segments was applied for the first time this year. FRS 108 requires the disclosure of information about operating segments, products and services, the geographical areas, and the major customers. It is a disclosure standard which results in a redesignation of the group's reportable segments, but 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 and (4) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

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

(a) Potable 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;
(b) Wastewater ("WW") - Waste and sewer pipelines that channel the discharge of waste matter to the wastewater treatment plants for treatment before it is discharged into the sea or routed to other uses;
(c) NEWater ("NW") - Pipelines relating to NEWater treatment plants; and
(d) Others - Pipelines relating to oil, gas and other industries.

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

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

4. Financial Information by Operating Segment (Cont'd)

4A. Information about Reportable Segment Profit or Loss, Assets and Liabilities (Cont'd)

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

4B. Profit or Loss from Continuing Operations and Reconciliations

Business segments

	PW		WW		NW		Others		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment										
External sales	37,507	84,585	4,749	25,064	2,360	10,422	7,915	2,212	52,531	122,283
Results :-										
Segment result	6,682	7,392	1,231	2,306	558	2,759	1,797	640	10,268	13,097
Interest income									6	8
Finance costs									(271)	(364)
Unallocated corporate expenses									(7,563)	(7,849)
Other credits/ (charges)									674	(1,342)
Profit before tax									3,114	3,550
Income tax expense									(567)	(661)
Profit for the year									2,547	2,889

4C. Assets, Liabilities and Reconciliations

	PW		WW		NW		Others		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other information:-										
Segment assets	5,373	24,402	1,819	6,377	1,045	565	815	1,454	9,052	32,798
Unallocated:									24,486	22,207
Total assets									33,538	55,005
Segment liabilities-unallocated									15,004	37,355
Total liabilities									15,004	37,355
Capital expenditure-unallocated									288	4,205
Depreciation-unallocated									462	5,963

	Unallocated	
	2009	2008
	$'000	$'000
Equity profit	2,499	2,661
Minority Interest	48	228
Total profit	2,547	2,889

4. Financial Information by Operating Segment (Cont'd)

4D. Analysis by Geographical Area

The following table provides an analysis of the group revenue by geographical market which is analysed based on the country of domicile of the customers irrespective of the origin of the goods or services:-

	2009 $'000	2008 $'000
Revenue		
Singapore	17,503	52,792
Hong Kong	5,892	3,397
Vietnam	18,508	54,798
China	2,771	3,141
Indonesia	645	603
Others	7,212	7,552
	52,531	122,283

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:-

	Non-current assets	
	2009 $'000	2008 $'000
Singapore	3,609	6,411
Hong Kong	10	4
China	9	13
Indonesia	16	23
	3,644	6,451

Revenues are attributed to countries on the basis of the customer's location. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts.

4. Financial Information by Operating Segment (Cont'd)

4E. Information About Major Customers

	2009 $'000	2008 $'000
Top 1 customer	7,495	24,731
Top 2 customers	13,247	32,921
Top 3 customers	14,563	40,123

5. Revenue

	Group	
	2009 $'000	2008 $'000
Sale of goods	47,072	99,267
Other income	351	258
Rental income	151	138
Amount recognised from long-term contracts	4,957	22,620
	52,531	122,283

6. Other Credits and (Other Charges)

	Group	
	2009 $'000	2008 $'000
Loss on disposal of other asset	–	(13)
Loss on disposal of investment in subsidiary	(56)	–
Allowance for impairment in trade receivables – reversal/(loss)	549	(635)
Foreign exchange adjustment gains	102	32
Gain on disposal of property, plant and equipment	–	133
Allowance for inventories reversal/(loss)	122	(854)
Impairment losses on other asset	(2)	(5)
Net	715	(1,342)
Presented in profit or loss as:		
Other Credits	773	165
Other Charges	(58)	(1,507)
Net	715	(1,342)

7. Finance Costs

	Group 2009 $'000	Group 2008 $'000
Interest expense	271	364

8. Employee Benefits Expense

	Group 2009 $'000	Group 2008 $'000
Employee benefits expense	3,555	7,085
Contributions to defined contribution plan	229	694
Other benefits	216	176
Total employee benefits expense	4,000	7,955

9. Income Tax Expenses

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

	Group 2009 $'000	Group 2008 $'000
Current tax expense:		
Current tax expense	534	1,240
Under / (over) adjustments to current tax in respect of prior periods	88	–
Subtotal	622	1,240
Deferred tax income:		
Deferred tax income	(55)	(579)
Subtotal	(55)	(579)
Total income tax expense	567	661

9. Income Tax Expense (Cont'd)

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% (2008: 18%) to profit or loss before income tax as a result of the following differences:

	Group	
	2009	2008
	$'000	$'000
Profit Before Tax	3,114	3,550
Income tax expense at the above rate	529	639
Non deductible items	97	72
Tax exemptions	(27)	(55)
Deferred tax assets valuation allowance	–	73
Prior years' unrecorded tax loss carryforwards utilised	(133)	–
Under /(over) adjustments to tax in respect of prior periods	88	–
Change in tax rates	–	4
Effect of different tax rates in different countries	22	(56)
Others minor items less than 3% each	(9)	(16)
Total income tax expense	567	661

There are no income tax consequences of dividends to shareholders of the company.

In 2009, the government enacted a change in the national income tax rate from 18% to 17%.

9B. Deferred tax income recognised in profit or loss include:

	Group	
	2009	2008
	$'000	$'000
Deferred tax not recorded	59	
Deferred tax liabilities from acquisition of subsidiary	–	90
Excess of net book value of property, plant and equipment	(58)	160
Excess of tax values over net book value of plant and equipment	–	440
Tax loss carryforwards	(81)	85
Wear and tear allowances carryforwards	–	(112)
Provisions	2	(11)
Deferred tax assets valuation (allowance)/reversal	133	(73)
Total deferred tax income recognised in profit or loss	55	579

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

	Group	
	2009	2008
	$'000	$'000
Deferred tax liabilities recognised in profit or loss:		
Excess of net book value of property, plant and equipment	(182)	(124)
Excess of tax values over net book value of plant and equipment	–	440
Tax loss carryforwards	74	155
Provisions	48	46
Deferred tax liabilities not recorded	59	–
Deferred tax assets valuation allowance	(25)	(158)
	(26)	359

9. Income Tax Expense (Cont'd)

9C. Deferred tax balance in the statement of financial position (Cont'd):

Presented in the statement of financial position as follows:		
Deferred tax liabilities	(81)	(81)
Deferred tax assets	55	440
Net balance	(26)	359

Company:	2009 $'000	2008 $'000
Deferred tax liabilities:		
Excess of net book value of plant and equipment	(182)	(123)
Total deferred tax liabilities	(182)	(123)
Deferred tax assets:		
Provisions	42	42
Total deferred tax assets	42	42
Net deferred tax liabilities	(140)	(81)
Deferred tax not recorded	59	–
	(81)	(81)

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

In Singapore 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 are insignificant.

10. Earnings Per Share

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

	2009 $'000	2008 $'000
A. Numerators: earnings attributable to equity:		
Continuing operations:		
Total basic and diluted earnings attributable to equity holders	2,499	2,661
B. Denominators: weighted average number of equity shares	'000	'000
Basic and Diluted	125,000	125,000

The weighted average number of equity shares refers to shares in circulation during the period. Basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each period. The diluted earnings per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each period.

11. Property, Plant and Equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2008	3,348	7,261	10,609
Additions	21	4,184	4,205
Foreign exchange adjustments	–	3	3
Disposals	–	(813)	(813)
At 1 January 2009	3,369	10,635	14,004
Additions	–	288	288
Disposals	–	(29)	(29)
Elimination on disposal of subsidiary	(433)	(7,654)	(8,087)
Transfer to held for sale (Note 14)	–	(658)	(658)
Foreign exchange adjustments	–	(39)	(39)
At 31 December 2009	2,936	2,543	5,479
Accumulated Depreciation:			
At 1 January 2008	165	2,201	2,366
Depreciation for the year	143	5,820	5,963
Disposals	–	(705)	(705)
Foreign exchange adjustments	–	–	–
At 1 January 2009	308	7,316	7,624
Depreciation for the year	133	329	462
Disposals	–	(22)	(22)
Elimination on disposal of subsidiary	(112)	(5,920)	(6,032)
Transfer to held for sale (Note 14)	–	(109)	(109)
Foreign exchange adjustments	–	(1)	(1)
At 31 December 2009	329	1,593	1,922
Net book value:			
At 1 January 2008	3,183	5,060	8,243
At 1 January 2009	3,061	3,319	6,380
At 31 December 2009	2,607	950	3,557

The depreciation expense is charged as follows:

Group	Cost of sales $'000	Marketing and Distribution cost $'000	Administrative expenses $'000	Total $'000
2009	181	15	266	462
2008	5,626	60	277	5,963

Certain items are under finance lease agreements (see Note 21C).

11. Property, Plant and Equipment (Cont'd)

A leasehold property with net book value of $327,000 as at 31 December 2008 was pledged as security for the bank facilities (see Note 21B). It was held by a subsidiary that has been disposed (see Note 24) in May 2009.

Company	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2008	2,915	2,440	5,355
Additions	21	1,034	1,055
Disposals	–	(675)	(675)
At 1 January 2009	2,936	2,799	5,735
Additions	–	273	273
Disposals	–	(18)	(18)
Transfer to held for sale (Note 14)	–	(658)	(658)
At 31 December 2009	2,936	2,396	5,332
Accumulated Depreciation:			
At 1 January 2008	74	1,680	1,754
Depreciation for the year	127	258	385
Disposals	–	(619)	(619)
At 1 January 2009	201	1,319	1,520
Depreciation for the year	128	293	421
Disposals	–	(18)	(18)
Transfer to held for sale (Note 14)	–	(109)	(109)
At 31 December 2009	329	1,485	1,814
Net book value:			
At 1 January 2008	2,841	760	3,601
At 1 January 2009	2,735	1,480	4,215
At 31 December 2009	2,607	911	3,518

Certain items are under finance lease agreements (see Note 21C).

12. Investments in Subsidiaries

	Company	
	2009	2008
	$'000	$'000
Cost at the beginning of the year	1,999	1,724
Addition	1,350	275
Disposal	(440)	–
Less allowance for impairment	(425)	(425)
Total at cost	2,484	1,574
Movement in allowance for impairment:		
Balance at beginning of the year	425	318
Impairment loss charge to profit or loss included in other (credits)/charges	–	107
Balance at end of the year	425	425
Net book value of subsidiaries	3,113	3,105
Analysis of above amount denominated in non-functional currency:		
Hong Kong Dollars	586	586
Chinese Renminbi	330	330
Indonesian Rupiah	168	168

The subsidiaries held by the company are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in books of company		Effective percentage of equity held	
	2009	2008	2009	2008
	$'000	$'000	%	%
Duvalco Valves and Fittings Pte. Ltd. (Formerly known as Pan Asian Engineering Pte. Ltd.) Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	1,000	100	100	100
Pan Asian Water Solutions (HK) Limited (1) (2) Hong Kong Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Nelson Wheeler)	586	586	100	100
PT. Pan Asian Water Solutions (1) (3) Indonesia Exporting and importing of products of water treatment (RSM AAJ Associates)	168	168	100	100
PA Water Solutions (Shanghai) Limited (4) People's Republic of China General importers and exporters of pipes and valves (BDO Shu Lun Pan Certified Public Accountants)	330	330	100	100

12. Investments in Subsidiaries (Cont'd)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in books of company		Effective percentage of equity held	
	2009	2008	2009	2008
	$'000	$'000	%	%
PA Watertech Pte Ltd (1)	825	375	100	100
Singapore				
Process provider in water wastewater treatment and to carry on consulting and other water treatment service				
(RSM Chio Lim LLP)				
PA Corporation Sdn Bhd (5)				
Malaysia				
Genenal importers and exporters for pipes and valves	–	–	100	–
(Unaudited (6))				
Teacly (S) Pte Ltd (7)	–	440	–	51
Singapore				
Contractor for cable works and pipe rehabilitation				

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

(2) 1 ordinary share of HK$1 in Pan Asian Water Solutions (HK) Limited is held in trust by an executive director.

(3) 1,000 shares in PT. Pan Asian Water Solutions are held in trust by an employee.

(4) Other independent auditors. 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.

(5) 2 ordinary share of RM2 in PA Corporation Sdn Bhd is held in trust by certain executive director and employee.

(6) Cost of investment is less than $1,000. The unaudited management financial statements at 31 December 2009 have been used for consolidation purposes.

(7) RSM Chio Lim LLP in Singapore was the auditors in 2008. Subsidiary was disposed on 28 May 2009.

As required by Rule 716 of the Catalist Rule of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

13. Other Assets

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Club memberships at cost	89	76	89	76
Less allowance for impairment	(2)	(5)	(2)	(5)
	87	71	87	71
Movement in allowance:				
Balance at beginning of year	5	85	5	85
Charge to profit or loss included in other charges	2	5	2	5
Written off	(5)	(85)	(5)	(85)
	2	5	2	5

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

The fair value of the club memberships at cost 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 provision for impairment.

14. Assets Held for Sale under FRS 105

A plant and equipment is presented as held for sale following the decision of management on the sale. The sale was expected to be completed by 1 January 2010. The plant and equipment was disposed at a gain.

	Group & Company
	2009
	$'000
Assets held for sale:	
Plant and equipment at carrying value in statement of financial position	549

15. Inventories

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	6,556	7,739	6,182	6,991
Contract work in progress (Note 15A)	–	781	–	–
	6,556	8,520	6,182	6,991
Inventories are stated after allowance.				
Movements in allowance:				
Balance at beginning of year	1,285	422	1,166	366
Charged/(Reversed) to profit or loss included in other credits/(charge)	(122)	854	(66)	800
Foreign exchange adjustments	(3)	9	–	–
Balance at end of year	1,160	1,285	1,100	1,166
Cost of inventories sold	40,404	103,338		

Certain inventories were purchased under trust receipts (Note 21A). The reversal of the provision at the group level is for goods with an estimated increase in net realisable value.

15. Inventories (Cont'd)

15A. Contract Work in Progress Comprises:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Balance at beginning of year	–	2,742	–	–
Aggregate amount of costs incurred during the year	–	19,143	–	–
Less amounts recognised in the profit or loss	–	(21,104)	–	–
Balance at end of year - contract costs that relate to future activity recognised as an asset	–	781	–	–
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	–	24,630	–	–
Less progress payments received and receivable to date	–	(19,098)	–	–
Net amount due from contract customers at end of year	–	5,532	–	–
Included in the accompanying statement of financial position as follows:				
Under trade receivables (Note 16)	–	5,532	–	–
	–	5,532	–	–

16. Trade and Other Receivables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	9,193	27,568	7,837	25,112
Less allowance for impairment	(149)	(742)	(85)	(492)
Due from customers on long-term contracts (Note 15A)	–	5,532	–	–
Subsidiaries (Note 3)	–	–	382	481
Subtotal	9,044	32,358	8,134	25,101
Other receivables:				
Subsidiaries (Note 3)	–	–	747	4,496
Less allowance for impairment			(478)	(268)
Outside parties	8	667	8	29
Subtotal	8	667	277	4,257
Total trade and other receivables	9,052	33,025	8,411	29,358
Movements in above allowance:				
Balance at beginning of year	742	114	760	114
Charge/(reversed) for trade receivables to profit or loss included in other (credits)/charges	(549)	635	(367)	397
Charge/(reversed) for related company accounts to profit or loss included in other (credits)/charges	–	–	210	268
Foreign exchange adjustments	(44)	–	–	–
Used / Bad debts written off	–	(7)	(40)	(19)
Balance at end of year	149	742	563	760

17. Other Assets

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Prepayments	431	908	182	422
Deposits to secure services	128	100	24	21
	559	1,008	206	443

18. Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Not restricted in use	11,074	5,561	8,028	2,890
Cash restricted in use[(a)]	2,049	–	2,000	–
	13,123	5,561	10,028	2,890

(a): This is with respect to fixed deposits with maturities that are more than 3 months.

The interest earning balances are not significant.

18A. Cash and Cash Equivalents in the Cash Flow Statement:

	Group	
	2009	2008
	$'000	$'000
As shown above	13,123	5,561
Bank overdrafts	–	(474)
Cash restricted in use over 3 months	(2,049)	–
Cash and cash equivalents for statement of cash flows purposes at end of the year	11,074	5,087

18B. Non-cash transactions:

During the year there were acquisitions of plant and equipment with a total cost of $137,000 (2008: $677,000) acquired by means of finance leases.

19. Share Capital

	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at beginning of year 1 January 2008		
and end of year 31 December2008	125,000	8,947
Balance at beginning of year 1 January 2009		
and end of year 31 December2009	125,000	8,947

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

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 automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The objectives when managing capital are: to safeguard the company'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 products and services commensurately with the level or 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 year. The management manages the capital structure and makes adjustments to it 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. The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

19. Share Capital (Cont'd)

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net debt:				
All current and non-current other financial liabilities including finance leases	2,913	10,342	2,913	7,373
Less cash and cash equivalents	(13,123)	(5,561)	(10,028)	(2,890)
Net debt/(cash)	(10,210)	4,781	(7,115)	4,483
Net capital	18,534	16,903	17,249	15,778
Debt-to-adjusted capital ratio	N.M.	0.28	N,M.	0.28

N.M: Not meaningful

20. Other Reserves

	Group	
	2009	2008
	$'000	$'000
Foreign currency translation reserve (Note 20A)	(344)	(101)
Statutory reserves (Note 20B)	43	11
Total at the end of the year	(301)	(90)

20A. Foreign Currency Translation Reserve

	Group	
	2009	2008
	$'000	$'000
At beginning of the year	(101)	(267)
Exchange differences on translating foreign operations	(243)	166
At end of the year	(344)	(101)

20. Other Reserves (Cont'd)

20B. Statutory Reserves

	Group	
	2009	2008
	$'000	$'000
At beginning of the year	11	–
Transferred from profit or loss	32	11
At end of the year	43	11

The currency translation reserve accumulates all foreign exchange differences.

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.

The subsidiary incorporated in the PRC is required by the relevant PRC 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 the 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. Amount of retained earnings appropriated to the statutory reserve amounts to RMB207,000 or S$43,000 (2008: RMB52,000 or S$11,000).

21. Other Financial Liabilities

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Non-current:				
Bank loan (Note 21B)	800	257	800	–
Finance leases (Note 21C)	221	405	221	213
Non-current, total	1,021	662	1,021	213
Current:				
Bank loans (Note 21B)	1,800	2,840	1,800	2,800
Trust receipts for purchase of inventories (Note 21A)	–	5,845	–	4,268
Finance leases (Note 21C)	92	521	92	92
Bank overdrafts (Note 21A)	–	474	–	–
Current, total	1,892	9,680	1,892	7,160
Total	2,913	10,342	2,913	7,373

The non-current portion is repayable as follows:				
Due within 2 to 5 years	1,021	662	1,021	213
Total non-current portion	1,021	662	1,021	213

21. Other Financial Liabilities (Cont'd)

All the amounts are at floating interest rates except for the following that are on fixed interest rates

The range of floating rate interest rates paid were as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
	%	%	%	%
Bank loan	–	5.00	–	–
Bank loans	2.20 - 2.80	2.64 - 4.07	2.20 - 2.80	2.64 - 4.07
Trust receipts for purchase of inventories	2.73 - 5.00	2.82 - 5.00	2.73 - 5.00	2.82

The fair value of the loans approximates fair value.

21A. Bank Overdraft and Bank trust receipts for purchase of inventories

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

Certain bank overdraft and trust receipts of a subsidiary were secured by:

a. Corporate guarantees from the company and a related party of a subsidiary;
b. Fresh joint and several guarantees from related parties of the subsidiary; and
c. Equitable assignment of proceeds from certain projects of the subsidiary.

21B. Bank loans

In 2008, a secured bank loan is repayable by monthly instalments of $2,000 commencing July 2003 for a subsidiary's leasehold property. The subsidiary was subsequently disposed in May 2009 (see Note 24).

The bank loans agreements provide among other matters for the following:-

2008:

1. The legal mortgage over the subsidiary's leasehold property (Note 11)
2. A negative pledge over the assets of the company
3. Corporate guarantee from the company
4. Equitable assignment of certain projects under a subsidiary

2009:

1. A negative pledge over the assets of the company
2. Corporate guarantee from the company

21. Other Financial Liabilities (Cont'd)

21C. Finance Leases

Group

2009

	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	104	(12)	92
Due within 2 to 5 years	251	(30)	221
Total	342	(42)	313

2008

Minimum lease payments payable:			
Due within one year	586	(65)	521
Due within 2 to 5 years	424	(19)	405
Total	1,010	(84)	926

Company

2009

Minimum lease payments payable:			
Due within one year	104	(12)	92
Due within 2 to 5 years	251	(30)	221
Total	355	(42)	313

2008

Minimum lease payments payable:			
Due within one year	103	(11)	92
Due within 2 to 5 years	239	(26)	213
Total	342	(37)	305

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $412,783 (2008: $1,540,000) and $412,783 (2008: $420,000) respectively at the end of the reporting year.

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 to 5 years. The rate of interest for finance leases ranges from 2.2% to 6.75% (2008: 2.2% to 6.75%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore dollars. The obligations under finance leases are secured by the lessor's charge over the leased assets. The carrying amount of the lease liabilities is not significantly different from the fair value.

22. Trade and Other Payables

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	11,226	23,373	10,546	21,337
Related party (Note 3)	64	869	–	441
Subsidiaries (Notes 3)	–	–	36	4
Subtotal	11,290	24,242	10,582	21,782
Other payables:				
Other payables	126	1,519	126	–
Advances received from customers	74	–	43	–
Subtotal	200	1,519	169	–
Total trade and other payables	11,490	25,761	10,751	21,782

23. Dividends on Equity Shares

In respect of the current year, the directors propose that a final dividend (tax exempt 1-tier) of 1.0 cent per ordinary share totalling $1,250,000 be paid to shareholders after the annual general meeting. There are no income tax consequences. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend for 2009 is payable in respect of all ordinary shares in issue at the end of the reporting year and including new shares issued, if any, up to the date of the dividend becomes payable.

On 14 May 2009, a final dividend of 0.50 cent (1-tier tax exempt) per ordinary share of the company was paid to shareholders totalling $625,000.

On 16 May 2008, a final dividend of 0.40 cent (1-tier tax exempt) per ordinary share of the company was paid to shareholders totalling $500,000.

24. Disposal of Subsidiary

The group disposed Teacly (S) Pte Ltd on 31 May 2009. The following table summarises the carrying value of the assets and liabilities of the subsidiary Teacly (S) Pte Ltd that was disposed on 31 May 2009.

	Group 2009 $'000
Cash and cash equivalents	717
Trade and other receivables	4,304
Property, plant and equipment	2,055
Inventories	755
Other investments	70
Trade and other payables	(3,313)
Income tax payable	(233)
Other financial liabilities	(2,720)
Minority interest	(795)
Loss on disposal	(56)
Total consideration	784
Net cash inflow on disposal:	
Cash consideration	784
Less cash disposed	(717)
Net cash inflow	67

The loss on disposal of the subsidiary Teacly (S) Pte Ltd and the results of the subsidiary for the previous year and for the period from the beginning of the year to 31 May 2009, which have been included in the consolidated financial statements, were as follows:

	Group	
	Period ended 31/05/09 $'000	Year ended 31/12/08 $'000
Revenue	4,957	24,056
Expenses	(4,839)	(23,477)
Profit before tax	118	579
Income tax	(20)	(100)
Profit after tax before disposal loss	98	479
Loss on disposal of subsidiary	(56)	
Income tax expense	–	
Loss after tax on disposal	(56)	
Total profit on disposal	42	

25. Financial Instruments: Information on Financial Risks

25A. Classification of Financial Assets and Liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the year by FRS 39 categories:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	13,123	5,561	10,028	2,890
Loans and receivables	9,052	33,025	8,411	29,358
At end of year	22,175	38,586	18,439	32,248
Financial liabilities:				
Other financial liabilities at amortised cost	2,913	10,342	2,913	7,373
Trade and other payables at amortised cost	11,416	25,761	10,708	21,782
At end of year	14,329	36,103	13,621	29,155

Further quantitative disclosures are included throughout these financial statements.

25B. 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 is exposure 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. The management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. However, these are not formally documented in written form. The following guidelines are followed:

1. Minimise interest rate, currency, credit and market risks 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. 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 good market practices.

25. Financial Instruments: Information on Financial Risks (Cont'd)

25C Fair value of financial instruments stated at amortised cost in the statement of financial

The financial assets and financial liabilities at amortised cost are at a carrying amount that is a reasonable approximation of fair value.

25D. 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, certain investments, and other financial assets. 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 and derivative financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. 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.

All unencumbered bank deposits with the banks licensed by the Monetary Authority of Singapore are guaranteed by the Singapore Government until 31 December 2010. At the end of the year the balance with the banks in Singapore was $11.3 million.

As disclosed in note 18, cash and cash equivalent balances represent short term deposit with a less than 90-day maturity.

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 (2008: 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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables:				
31 - 60 days	348	–	349	–
61 - 90 days	774	879	155	639
91 - 120 days	147	440	47	627
Over 120 days	502	460	383	1,702
At end of year	1,771	1,779	934	2,968

25. Financial Instruments: Information on Financial Risks (Cont'd)

25D. Credit Risk on Financial Assets (Cont'd)

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 120 days	149	742	85	760
At end of year	149	742	85	760

The allowance is based on individual accounts that are determined to be impaired at the year end date. These are not secured.

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

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Top 1 customer	3,737	11,339	3,737	11,339
Top 2 customers	5,427	13,832	5,427	13,832
Top 3 customers	6,418	16,244	6,418	16,244

25. Financial Instruments: Information on Financial Risks (Cont'd)

25E. Liquidity Risk

Group	Other Financial Liabilities $'000	Trade and other payables $'000	Total $'000
2009:			
Less than 1 year	1,904	11,416	13,320
1 - 5 years	1,051	–	1,051
At end of year	2,955	11,416	14,371
2008:			
Less than 1 year	9,680	25,761	35,441
1 - 5 years	662	–	662
At end of year	10,342	25,761	36,103

Company	Other Financial Liabilities $'000	Trade and other payables $'000	Total $'000
2009:			
Less than 1 year	1,904	10,708	12,612
1 - 5 years	1,051	–	1,051
At end of year	2,955	10,708	13,663
2008:			
Less than 1 year	7,160	21,782	28,942
1 - 5 years	213	–	213
At end of year	7,373	21,782	29,155

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken by the group and the company to settle non-related party trade payables is about 60 days (2008: 60 days) and 60 days (2008: 60 days) respectively. The other payables are with short-term durations. Apart from the classification of the assets in the statement of financial position, no further analysis is deemed necessary.

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. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

25. Financial Instruments: Information on Financial Risks (Cont'd)

25F. Interest Rate Risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial liabilities:				
Fixed rate	313	926	313	305
Floating rate	2,600	9,416	2,600	7,068
At end of year	2,913	10,342	2,913	7,373

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:

Financial liabilities:				
A hypothetical increase in interest rates by 50 basis points with all other variables held constant, would have an adverse effect on posr-tax profit for the year by	13	47	13	35
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have an adverse effect on posr-tax profit for the year by	26	94	26	71
A hypothetical increase in interest rates by 150 basis points with all other variables held constant, would have an adverse effect on posr-tax profit for the year by	39	141	39	106
A hypothetical increase in interest rates by 200 basis points with all other variables held constant, would have an adverse effect on posr-tax profit for the year by	52	188	52	141

The analysis has been performed separately for fixed interest rate financial liabilities and floating interest rate liabilities. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market date (unobservable inputs).

25. Financial Instruments: Information on Financial Risks (Cont'd)

25G. Foreign Currency Risks

Analysis of amounts denominated in non-functional currency:

Group

Financial assets:	2009 Cash $'000	2009 Receivables $'000	2009 Total $'000	2008 Cash $'000	2008 Receivables $'000	2008 Total $'000
At 31 December:						
US Dollars	3,069	1,995	5,064	812	1,126	1,938
Japanese Yen	97	–	97	546	11,339	11,885
Pound Sterling	1,141	–	1,141	23	269	292
Euro Dollars	262	41	303	22	505	527
Hong Kong Dollars	845	1,015	1,860	800	741	1,541
Chinese Renminbi	397	215	612	556	1,102	1,658
Australian Dollars	–	–	–	1	–	1
	5,811	3,266	9,077	2,760	15,082	17,842

Group

Financial liabilities:	2009 Borrowings $'000	2009 Payables $'000	2009 Total $'000	2008 Borrowings $'000	2008 Payables $'000	2008 Total $'000
At 31 December:						
US Dollars	–	5,811	5,811	–	883	883
Japanese Yen	–	6	6	–	10,251	10,251
Pound Sterling	–	260	260	–	309	309
Euro Dollars	–	64	64	–	351	351
Hong Kong Dollars	–	357	357	160	158	318
Chinese Renminbi	–	75	75	–	487	487
Australian Dollars	–	–	–	–	2,343	2,343
	–	6,573	6,573	160	14,782	14,942

Company

Financial assets:	2009 Cash $'000	2009 Receivables $'000	2009 Total $'000	2008 Cash $'000	2008 Receivables $'000	2008 Total $'000
At 31 December:						
US Dollars	2,545	2,127	4,672	673	2,126	2,799
Japanese Yen	97	–	97	546	11,339	11,885
Pound Sterling	1,120	2	1,122	9	258	267
Euro Dollars	258	139	397	17	463	480
Hong Kong Dollars	–	–	–	–	–	–
Australian Dollars	–	–	–	–	–	–
	4,020	2,268	6,288	1,245	14,186	15,431

Company

Financial liabilities:	2009 Borrowings $'000	2009 Payables $'000	2009 Total $'000	2008 Borrowings $'000	2008 Payables $'000	2008 Total $'000
At 31 December:						
US Dollars	–	5,774	5,774	–	699	699
Japanese Yen	–	6	6	–	10,251	10,251
Pound Sterling	–	246	246	–	297	297
Euro Dollars	–	64	64	–	141	141
Australian Dollars	–	–	–	–	–	–
	–	6,090	6,090	–	11,388	11,388

25. Financial Instruments: Information on Financial Risks (Cont'd)

25G. Foreign Currency Risks (Cont'd)

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

Sensitivity analysis:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US$ with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	75	(106)	110	(210)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Japanese Yen with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	(9)	(163)	(9)	(163)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Sterling Pound with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	(88)	2	(88)	3
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Euro Dollar with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	(24)	(18)	(33)	(34)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Hong Kong $ with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	(150)	(122)	–	–
A hypothetical 10% strengthening e in the exchange rate of the functional currency $ against the China RMB with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	(54)	(117)	–	–
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Australian Dollar with all other variables held constant would have a favourable / (adverse) effect on profit before tax of	–	234	–	–

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. The analysis above has been carried out on the basis that there are no hedged transactions.

26. Operating Lease Payments Commitments

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

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Not later than one year	341	659	235	288
Later than one year and not later than 5 years	658	1,208	601	870
Later than five years	2,330	2,549	2,330	2,549
Rental expense for the year	540	673	274	314

Operating lease payments represent rentals payable by the group and company for certain of its warehouses, office equipment and owned leasehold properties. The lease rental terms are negotiated for term of 3 to 24 years (2008: 3 to 24 years) and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

27. Contingent Liabilities

	Company	
	2009	2008
	$'000	$'000
Bank guarantee in favour of subsidiaries (Note 3)	1,245	10,664

28. Events Subsequent to the End of the Reporting Year

Subsequent to year end on 14 January 2010, a subsidiary incorporated a joint venture company, Duvalco Valves (Tianjin) Co. Ltd in the People Republic of China with a capital injection amounting to S$865,000.

29. Changes and Adoption of Financial Reporting Standards

For the year ended 31 December 2009 the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement method or the presentation in the financial statements.

FRS No.	Title
FRS 1	Presentation of Financial Statements (Revised)
FRS 18	Revenue (Amendments to)
FRS 23	Borrowing Costs (Amendments to)
FRS 32	Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments to)
FRS 27	Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments to)
FRS 102	Share-based Payment – Vesting Conditions and Cancellations (Amendments to) (*)
FRS 103	Business Combinations and consecutive amendments in other FRSs (Revised)
FRS 107	Financial Instruments: Disclosures (Amendments to)
FRS 108	Operating Segments
INT FRS 109	Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives (Amendments to)
INT FRS 113	Customer Loyalty Programs (*)
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (*)
INT FRS 117	Distributions of Non-cash Assets to Owners (*)
INT FRS 118	Transfers of Assets from Customers (*)

(*) Not relevant to the entity.

The main objective of revising FRS 1 was to aggregate information in the financial statements on the basis of shared characteristics. Al owner changes in equity is presented in the statement of changes in equity, separately from non-owner changes in equity. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRSs. It introduces a requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements were revised and are applied from prospectively to business combinations first accounted for in accounting periods beginning on or after 1 July 2009 and the amendments to IAS 27 apply retrospectively to periods beginning on or after 1 July 2009. The main changes in existing practice resulting from the revision to FRS 103 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, acquisition related costs must be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to FRS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.

30. Future Changes in Accounting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 38	Intangible Assets (Amendments to) (*)	01.07.2009
FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Item (Amendments to)	01.07.2009
FRS 102	Share-based Payment (Amendments to) (*)	01.07.2009
FRS 105	Non-current Assets Held for Sale and Discontinued Operations (Amendments to) (*)	01.07.2009
INT FRS 109	Reassessment of Embedded Derivatives (Amendments to) (*)	01.07.2009
INT FRS 116	Hedges of a Net Investment in a Foreign Operation (Amendments to) (*)	01.07.2009
INT FRS 117	Distributions of Non-cash Assets to Owners (*)	01.07.2009
INT FRS 118	Transfers of Assets from Customers (*)	01.07.2009
FRS 1	Presentation of Financial Statements (Amendments to)	01.01.2010
FRS 7	Statement of Cash Flows (Amendments to)	01.01.2010
FRS 17	Leases (Amendments to)	01.01.2010
FRS 36	Impairment of Assets (Amendments to)	01.01.2010
FRS 39	Financial Instruments: Recognition and Measurement (Amendments to)	01.01.2010
FRS 108	Operating Segments (Amendments to)	01.01.2010

(*) Not relevant to the entity.

Statistics Of Shareholdings

As at 20 March 2010

Issued and Fully Paid-up Share Capital	$8,946,597.04
Number of shares	125,000,000
Class of Shares	Ordinary shares
Voting Rights	On show of hands: one vote for each member On a poll: one vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	3	0.24	1,050	0.00
1,000 - 10,000	974	78.11	2,871,000	2.30
10,001 - 1,000,000	266	21.33	15,437,950	12.35
1,000,001 and above	4	0.32	106,690,000	85.35
Total	1,247	100.00	125,000,000	100.00

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 12 March 2010, approximately 20% of the issued ordinary shares of the Company are held by the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has therefore been complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	XU JIA ZU HOLDINGS PTE LTD	100,000,000	80.00
2	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	4,405,000	3.52
3	DBS NOMINEES PTE LTD	1,185,000	0.95
4	CITIBANK NOMINEES SINGAPORE PTE LTD	1,100,000	0.88
5	KOH AH LECK	500,000	0.40
6	CHIA THIAN HEE HILARY	457,000	0.37
7	YAP CHING SEOW	440,000	0.35
8	LEE CHEE KWAN	342,000	0.27
9	ONG HOCK HAI	318,000	0.25
10	TANG KOK KHIONG WILLIAM	300,000	0.24
11	LEONG SIEW YING	200,000	0.16
12	TAY BEE KHIM AMY	200,000	0.16
13	LOW KIM SENG	184,000	0.15
14	ONG KHIAW YANG IVAN	180,000	0.14
15	OCBC SECURITIES PRIVATE LTD	179,000	0.14
16	KOH CHOON LEANG	177,000	0.14
17	KIM ENG SECURITIES PTE. LTD.	175,000	0.14
18	CHAN LAM	150,000	0.12
19	KOH KOK KENG OR SEAH MEOW LUAN	150,000	0.12
20	PEK AH LECK	150,000	0.12
	TOTAL	110,792,000	88.62

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as at 12 March 2010 as shown in the Register of Substantial Shareholders are:

	Number of Shares			
Name	Direct Interest	Deemed Interest	Total	%
Xu Jia Zu Holdings Pte Ltd	100,000,000	-	100,000,000	80.00
Richard Koh Chye Heng [(1)]	-	100,000,000	100,000,000	80.00
Koh Eddie [(2)]	-	100,000,000	100,000,000	80.00

(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 memorandum and Articles of Association, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

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

This Appendix is circulated to the Shareholders of Pan Asian Water Solutions Limited (the "Company") together with the Company's annual report for the year ended 31 December 2009 in respect of the proposed renewal of the Shareholders' Mandate (as defined in the Appendix) to be tabled at the Annual General Meeting of the Company to be held on 22 April 2010 at 2.00 p.m. at 2 Tractor Road Singapore 627966.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited assumes no responsibilities for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.

The Notice of Annual General Meeting and Proxy Form are enclosed with the Annual Report.

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

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

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

Companies within our Group

"Company"	:	Pan Asian Water Solutions Limited
"Group" or "PA Group"	:	Pan Asian Water Solutions Limited and its subsidiaries
"PA HK"	:	Pan Asian Water Solutions (HK) Limited
"PA Engineering"	:	Pan Asian Engineering Pte. Ltd.
"PA Shanghai"	:	PA Water Solutions (Shanghai) Limited
"PA Indonesia"	:	PT. Pan Asian Water Solutions
"PA Watertech"	:	PA Watertech Pte. Ltd.

Other Companies, Corporations or Organisations

"APAM"	:	Associated Pan Asian Metal Sdn Bhd
"CDP"	:	The Central Depository (Pte) Limited
"Mantabury":	:	Mantabury Limited
"RM HK"	:	Richards Manufacturing (HK) Limited
"RM Malaysia"	:	Richards Manufacturing Sdn. Bhd.
"RSM"	:	Richards Sales & Marketing Sdn. Bhd.
"RV Qingdao"	:	Richards Valves (Qingdao) Co., Ltd.
"RV Malaysia"	:	Richards Valves Sdn. Bhd.
"RM Singapore"	:	Richards Manufacturing (SIN) Pte. Ltd.
"Duvalco International"	:	Duvalco International Pte. Ltd. (formerly known as Richards Valves Pte. Ltd.)
"SGX-ST" or "Stock Exchange"	:	Singapore Exchange Securities Trading Limited
"Sinzhong Wuxi"	:	Sinzhong Valves & Fitting (Wuxi) Co., Ltd
"XJZ"	:	Xu Jia Zu Holdings Pte. Ltd.

General

"Act" or "Companies Act"	:	Companies Act (Chapter 50) of Singapore
"AGM"	:	Annual General Meeting
"Associates"	:	(a) In relation to a corporation, means a director or Controlling Shareholder; a subsidiary or associated company; or a subsidiary or associated company of the Controlling Shareholder, of the corporation (b) (a)In relation to a director, CEO, Substantial Shareholder or Controlling Shareholder of a corporation who is an individual, means his immediate family (being his spouse, child, sibling and parent); a trustee, when acting in his capacity as such trustee, of any trust of which the individual or his immediate family is a beneficiary or, in the case of a discretionary trust, is a family together (directly or indirectly) have an interest of not less than 30% of the aggregate nominal amount of all the voting shares (c) In relation to a Substantial Shareholder, or Controlling Shareholder, which is a corporation, means, notwithstanding paragraph (a), any corporation which is its related corporation or associated company
"Associated Company"	:	An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.
"Audit Committee"	:	The audit committee of the Company
"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix , unless otherwise stated
"CEO"	:	Chief Executive Officer
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares or the voting shares in a company, as the case may be, or in fact exercises control over our Company or a company, as the case may be
"FY"	:	Financial year ended or, as the case may be, ending 31 December
"Independent Directors"	:	The non-executive independent Directors of our Company, as at the date of this Appendix, unless otherwise stated

"Interested Person"	:	An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Listing Manual"	:	The Listing Manual, Section B : Rules of Catalist of the SGX-ST as modified, supplemented or amended from time to time
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include securities sub-account maintained with a Depository Agent
"Shareholders"	:	Persons holding Shares of our Company
"Substantial Shareholder"	:	A person who holds directly or indirectly 5% or more of the total issued share capital in our Company or in a company, as the case may be
"$" or "S$" and "cents"	:	Singapore dollars and cents, respectively
"%"	:	Per centum or percentage

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

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

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

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

1 INTRODUCTION

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

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

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

Pursuant to Chapter 9 of the Listing Manual, the general mandate was renewed at the Annual General Meeting held on 23 April 2009. Such renewal was expressed to take effect until the date of the forthcoming Annual General Meeting to be held on 22 April 2010. Accordingly, the Directors propose that the Shareholders' Mandate to be renewed at the Annual General Meeting to be held on 22 April 2010, to take effect until the next annual general meeting of the Company.

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

2.1 Classes of Interested Persons

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

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

2.2 Categories of Interested Person Transactions

The Interested Person Transactions that will be covered by the Shareholders' Mandate are the purchase of valves and related accessories from the Interested Persons. The selection of the suppliers for such purchases is dependent on, inter alia, factors such as quality, pricing consistency, delivery schedule and the business relationship with the respective suppliers.

From time to time, our Group would purchase valves and related accessories from the Interested Persons. These purchases can be categorised as follows:

Common Inventory Items

Common inventory items are items which are covered under the standard price list based on the fixed price quotations provided by our suppliers and are applicable for purchases made during the agreed period and may be revised periodically.

Specialised Inventory Items

Specialised inventory items are items which are not covered under the standard price list based on the fixed price quotations provided by our suppliers.

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

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

2.4 Review Procedures for Interested Person Transactions

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

Purchases of common inventory items

(a) In respect of purchases of common inventory items from the Interested Persons, the prices for such common inventory items are determined on the basis of a standard price list, which is determined and updated on a semi-annual basis by our Sales department, based on prevailing market pricing for similar products in the industry. Our Sales department will obtain two other quotations from non-interested persons (wherever possible or available) and document the non-interested persons' quotations received. Where fixed price quotations for any particular inventory item are not available from non-interested persons, any one of the Senior Technical Sales Managers of our Group (who shall not be an Interested Person in respect of the particular transaction) will determine whether the prices offered for that item by the Interested Persons are fair and reasonable and the terms of supply from the Interested Persons are in accordance with industry norms.

(b) The standard price list will be reviewed against the non-interested persons' quotations and approved by our Audit Committee (as part of its standard procedures) as and when there are variations in the prices noted by our Sales department based on market knowledge or if there are no variations, at least on a semi-annual basis. In approving the standard price list, our Audit Committee will take into account factors such as quality, pricing consistency, delivery schedule, business relationship with the supplier and market pricing of raw materials. In addition, our Audit Committee will benchmark the prices on the standard price list to the prices of the raw material commodities, which are quoted on international commodity exchanges such as the London Commodity Exchange. The standard price list as at 31 December 2009 has been reviewed and approved by our Audit Committee.

(c) Based on the approved standard price list, purchases of such common inventory items from Interested Persons at purchase prices which are at or below the prices in the approved standard price list and for which the value equals to or exceeds $100,000 but is less than 5% of our Group's latest audited NTA will be reviewed and approved by Koh Eddie, our Managing Director and CEO.

(d) Purchases of common inventory items for which the value equals to or exceeds $100,000 from Interested Persons at purchase prices which are above the prices in the approved standard price list shall be subject to the prior approval of our Audit Committee. The extent to which the purchase price exceeds the standard price (including any bulk discounts) and the reasons, such as purchase volume and lead time offered (i.e. delivery timeframe), will be analysed and recorded by any one of the Senior Technical Sales Managers of our Group (who shall not be an Interested Person in respect of the particular transaction) and reviewed by our Audit Committee in its approval process.

In addition, transactions more than 5% of our Group's latest audited NTA will be reviewed and approved by majority of the members of the Audit Committee prior to entering into the transaction.

Purchases of specialised inventory items

(a) In respect of purchases of specialised inventory items equal to or exceeding $100,000, our Group will obtain at least two other quotations from non-interested persons for comparison at the time of purchase. The price offered by the Interested Persons shall not be higher than the most competitive price offered by non-interested persons. In determining the most competitive price, non-price factors such as delivery schedules, technical specifications, margins from sale of end products, track record, experience and expertise, and where appropriate, preferential rates, rebates or discounts accorded will also be taken into account.

(b) Purchases of specialised inventory items from Interested Persons equal to or exceeding $100,000 but less than 5% of our Group's latest audited NTA will be reviewed and approved by any one of the Senior Technical Sales Managers of our Group (who shall not be an Interested Person in respect of the particular transaction).

(c) Where it is impracticable or not possible for such quotations to be obtained, any one of the Senior Technical Sales Managers of our Group (who shall not be an Interested Person in respect of the particular transaction) will determine whether the prices offered by the Interested Persons are fair and reasonable and the terms of supply from the Interested Persons are in accordance with industry norms.

In addition, transactions more than 5% of our Group's latest audited NTA will be reviewed and approved by majority of the members of the Audit Committee prior to entering into the transaction.

2.5 General administration procedures for all Interested Person Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Koh Eddie [1]			100,000,000	80.0
Richard Koh Chye Heng [2]			100,000,000	80.0
Xu Jia Zu Holdings Pte. Ltd.	100,000,000	80.0		

[1] Mr Koh Eddie holds 80% interest in Xu Jia Zu Holdings Pte Ltd.

[2] 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 Memorandum & Articles of Association, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

4 AUDIT COMMITTEE'S STATEMENT

The Audit Committee confirms that:

(a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the AGM held on 23 April 2009; and

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

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

5. DIRECTORS' RECOMMENDATION

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

The Independent Directors of the Company are of the opinion that the Shareholders' Mandate is transacted on normal commercial terms and on terms or conditions that would not be prejudicial to the interests of the Company and minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of the Interested Person Transaction Resolution as set out in the Notice of AGM enclosed in the Annual Return.

6 ANNUAL GENERAL MEETING

Your approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM.
The resolution relating to the renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 10.

7 ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 2 Tractor Road Singapore 627966 not later than 48 hours before the time set for the Annual General Meeting.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material respects as at the Latest Practicable Date that there are no material facts the omission of which would make any statement in this Appendix misleading.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 2 Tractor Road, Singapore 627966 on Thursday, 22 April 2010 at 2.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2009 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final tax exempt dividend of 1.0 cent per share for the financial year ended 31 December 2009. **(Resolution 2)**

3. To re-elect the following directors retiring pursuant to Articles 107 and 117 of the Company's Articles of Association :-

   (a) Mr Richard Koh Chye Heng (retiring under Article 107) **(Resolution 3)**

   (b) Mr Koh Eddie (retiring under Article 112) **(Resolution 4)**

   (c) Mdm Indriati Khoe (retiring under Article 117) **(Resolution 5)**

   Mdm Indriati Khoe, upon re-election as Director of the Company, remains a member of the Audit Committee.

4 To approve Directors' fees of S$125,135 for the financial year ended 31 December 2009 (2008: S$125,000). **(Resolution 6)**

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

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

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

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

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

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

SPECIAL BUSINESS (continued)

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

(See Explanatory Note 1)

7. Authority to issue placement shares at a discount **(Resolution 9)**

(a) That authority be and is hereby given to the directors of the Company to issue shares (other than on a pro rata basis to shareholders of the Company) at an issue price for each share which shall be determined by the directors of the Company in their absolute discretion provided that such price shall not represent a discount of more than 20% to the weighted average price of a share for trades done on the Catalist (determined in accordance with the requirements of the SGX-ST); and

(b) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next general meeting of the Company or the date by which the next general meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 2)

8. Renewal of Shareholders' Mandate for Interested Person Transactions

That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited for the Company, its subsidiaries and target associated companies (if any) or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to the Annual Report to shareholders dated 6 April 2010 (the "Appendix") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures for Interested Person Transactions as set out in the Appendix and that such approval (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate.

(See Explanatory Note 3)

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

BY ORDER OF THE BOARD

Toon Choi Fan
Joanna Lim Lan Sim
Company Secretaries

Singapore
6 April 2010

Explanatory Notes:

1. The Ordinary Resolution proposed in item no. 6, if passed, will empower the Directors, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue new shares and/or convertible securities in the Company including a rights or bonus issue without seeking further approval from shareholders in general meeting for such purposes as the Directors consider would be in the best interests of the Company. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.

2. The Ordinary Resolution proposed in item no. 7, if passed, will empower the Directors of the Company to issue shares in the capital of the Company by way of placement at an issue price at not more than twenty per cent (20%) discount to the weighted average price for trades done on Catalist. In exercising the authority conferred by Ordinary Resolution proposed in item no. 7, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. Rule 811(1) of the Rules of the Catalist presently provides that an issue of shares must not be priced at more than ten per cent (10%) discount to the weighted average price for trades done on the Catalist for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day). On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "Press Release"); the new measures include allowing issuers to undertake placements of new shares using the general mandate to issue shares, priced at discounts of up to twenty per cent (20%), subject to the conditions that the issuer seeks shareholders' approval in a separate resolution at a general meeting to issue new shares on a non pro-rata basis at a discount exceeding ten per cent (10%) but not more than twenty per cent (20%), and the general share issue mandate resolution is not conditional on this resolution. The Ordinary Resolution proposed in item no. 7 has been included following this new measure. The Press Release states that this new measure will also be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

3. The Ordinary Resolution proposed in item no. 8 is to renew the Shareholders' Mandate for transactions with interested persons and if passed, will empower the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

2. The instrument or form appointing a proxy or proxies, duly executed, must be deposited at the Company's registered office at 2 Tractor Road, Singapore 627966 not later than 48 hours before the time for holding of the above Annual General Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 6 May 2010, for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung HUB, Singapore 049483 up to 5.00 p.m. on 5 May 2010 will be registered before entitlements to the dividend are determined. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 5 May 2010 will be entitled to the dividend. The dividend, if approved at the Annual General Meeting, will be paid on 14 May 2010.

PROXY FORM

PAN ASIAN WATER SOLUTIONS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. : 197902790N)

IMPORTANT

1. For investors who have used their CPF monies to buy shares of Pan Asian Water Solutions Limited, the Annual Report 2009 is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

*I/We ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

(b)				

or failing him/her, the Chairman of the Annual General Meeting of the Company as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 2 Tractor Road, Singapore 627966 on Thursday, 22 April 2010 at 2.00 p.m. and at any adjournment thereof.

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

No.	RESOLUTIONS RELATING TO	For	Against
1.	Directors' Report and Accounts for the year ended 31 December 2009.		
2.	Declaration of Final Dividend.		
3.	Re-election of Mr Richard Koh Chye Heng as Director.		
4.	Re-election of Mr Koh Eddie as Director.		
5.	Re-election of Mdm Indriati Khoe as Director.		
6.	Approval of Directors' Fees for the year ended 31 December 2009.		
7.	Re-appointment of RSM Chio Lim LLP as Auditors.		
8.	To authorize Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
9.	To authorise Directors to issue placement shares at discount.		
10.	Renewal of shareholders' mandate for transactions with interested persons of the Company.		

Dated this ____________ day of ______________ 2010

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

____

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

IMPORTANT

Please read notes overleaf

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Shares to be represented by each proxy must be stated.

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

3. The instrument appointing a proxy [together with the power of attorney (if any) under which it is signed, or a certified copy thereof], must be deposited at the Company's registered office at 2 Tractor Road, Singapore 627966 not less than 48 hours before the time fixed for holding the Annual General Meeting.

4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares registered in your name in the Register of Members, you should insert the number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instruments appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

fold along this line (1)

Please
affix
postage
stamp

The Company Secretary
PAN ASIAN WATER SOLUTIONS LIMITED
2 Tractor Road
Singapore 627966

fold along this line (2)