Pan Asian Holdings Limited
百益胜控股有限公司

ACHIEVING NEW HEIGHTS

ANNUAL REPORT 2011

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OUR OBJECTIVE

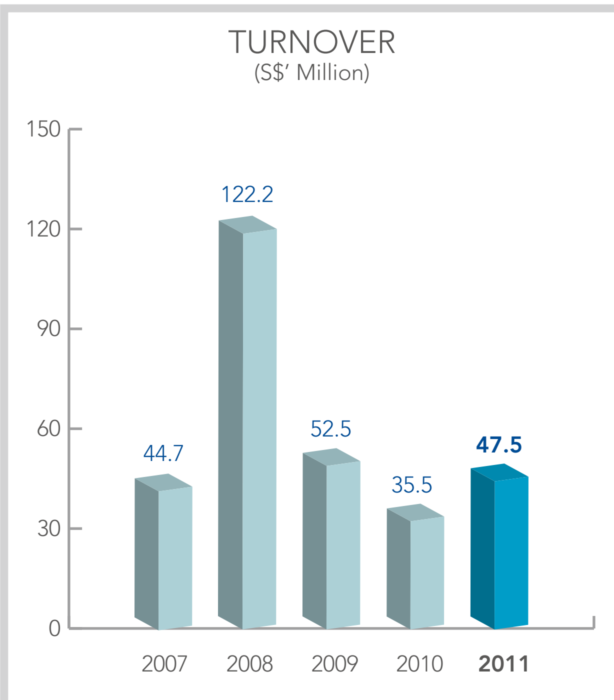
To strengthen our presence in existing markets by giving quality products and solutions to our customers. We intend to introduce new products to meet the changing and expanding market demands. The change in the market is an opportunity to grow; we intend to penetrate other new markets and fields where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

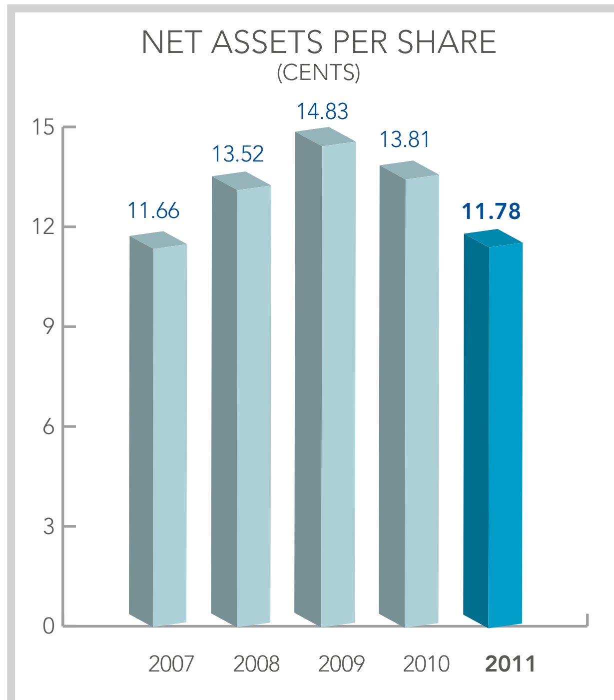
OUR VISION

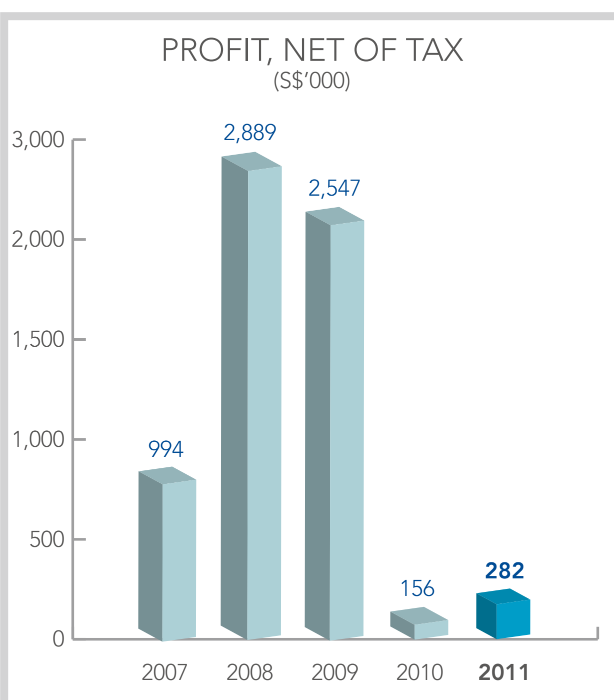
Our Goals:

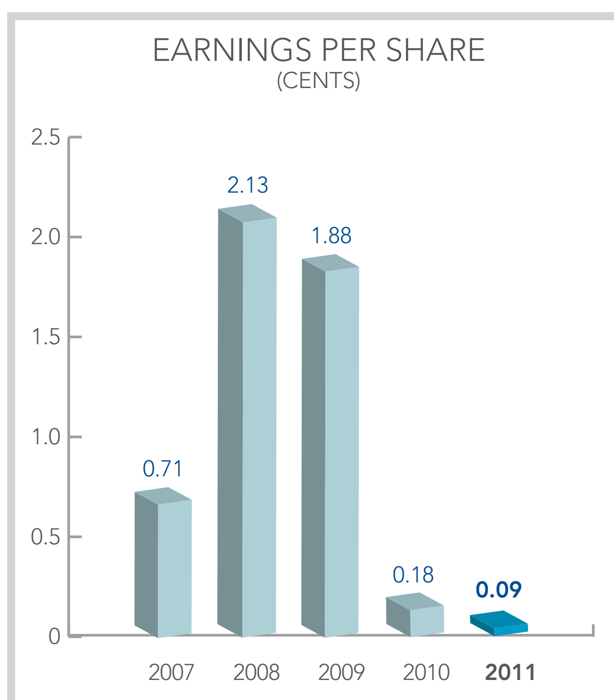
to seek and provide innovative, dynamic, reliable and competitive solutions to the entire aspect of the water cycle.

FINANCIAL HIGHLIGHTS









CORPORATE PROFILE

Began in 1979, Pan Asian Holdings Limited (PAHL) has gained an excellent reputation in the delivery of high quality piping system solutions for infrastructure projects within the water purification and wastewater treatment industry in the Asia Pacific region.

The Group's complete solutions encompass the thorough understanding of technical specifications, conceptualization of process design and our recommended product combination, as well as the installation technologies required for the successful completion and commissioning of the various assigned projects.

Specifically, the Group operates in four business segments - potable water, wastewater, Newater, and others:

- The potable water segment includes pipelines linking raw water collection points to water purification plants, or distribution pipelines bringing clean water supply to homes and industrial buildings.
- The wastewater segment includes waste and sewer pipelines that channel the discharge of waste matter to wastewater treatment plants before discharging into the sea or routed to other users.
- The Newater segment includes pipelines relating to Newater treatment plants.
- The others segment includes pipelines installed to the oil, gas and other needing industries.

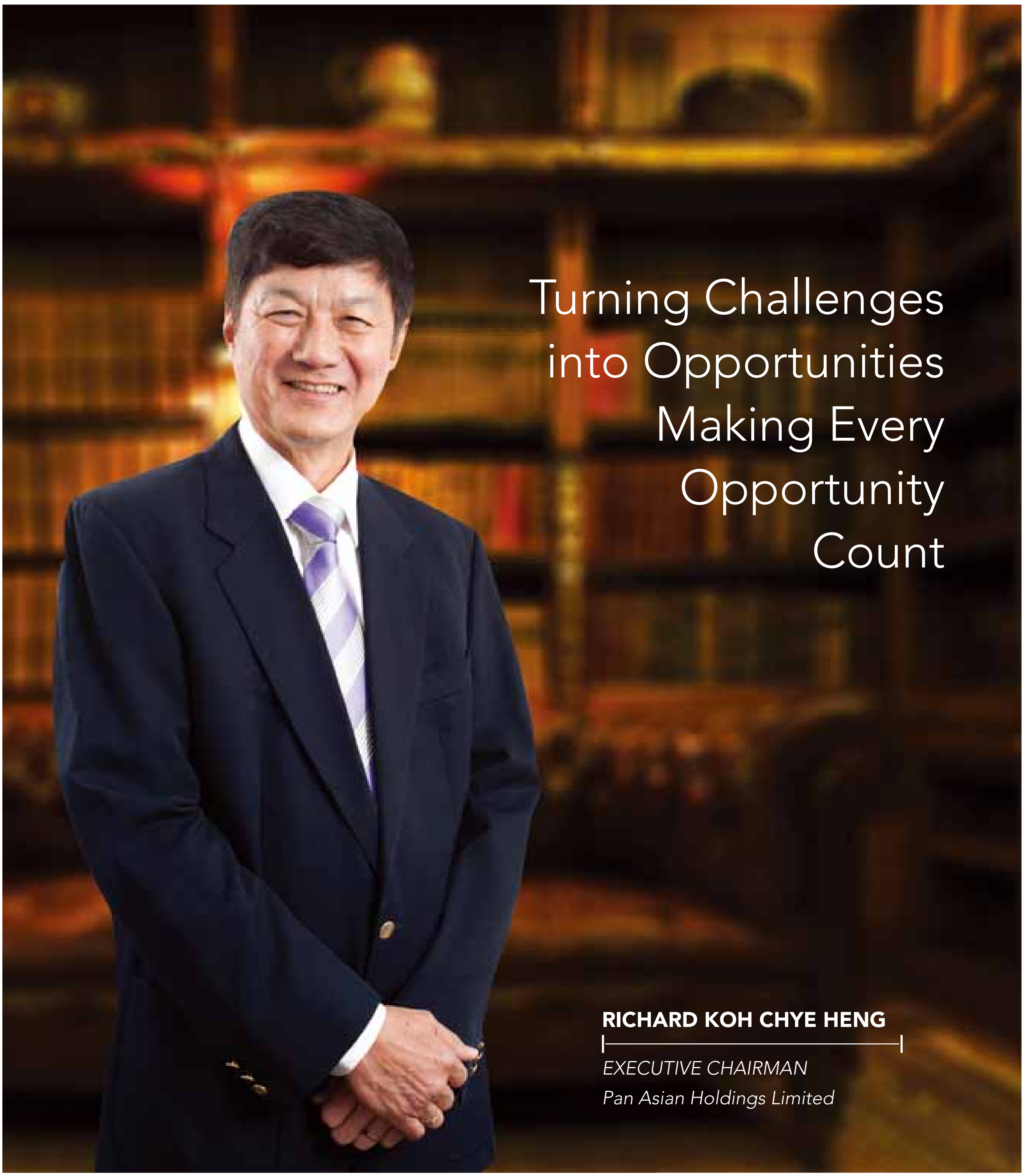
The Group is able to supply over 750 items of ductile iron pipes, valves, gates, couplings and other related accessories crucial for the assembly of integrated water piping solutions, which could also be customized within its in-house fabrication facilities to suit each customer's specific requirements.

In 2011, the Group acquired a 51% stake of WD Moore Pty Ltd from WD Moore Windtech Pty Ltd, a company with 150 years of history in Australia specializing in manufacturing and supply of windmill and solar-powered water pumping system. The Group has since established WD Moore (Asia) Pte Ltd in Singapore to develop the product's market in the region.

During the year, the Group has also set up new joint venture sales companies with local partners in Thailand and China. The objective of such initiatives is to further widen the market network in the region to generate new demand for products and logistical activities offered by the Group's new facility in Tianjin Eco-City, China.

Today, the Group is home to about 250 employees in more than 8 offices and subsidiaries across the Asian region. The Group's customer base stretches across 14 countries including Asia, Europe, Middle East, and other parts of the world. With our proven credentials, PAHL is the preferred partner for local utility authorities and private contractors engaged in the development of major water treatment projects.

CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS,

On behalf of the Board, it gives me great pleasure to present to you Pan Asian Holdings Limited's annual report for the financial year ended 31 December 2011.

It has been a most eventful year for the world as the global economy went through many significant shifts in FY2011. Even as the Europe's debt crisis deepened and prolonged, the United States was still experiencing growth which has been supporting the global economy to a certain extent. The world's factory, China has also begun to experience a slowdown in its economy as the government acts to curb overheating.

In the light of all these economic uncertainties, Pan Asian Holdings Limited and its subsidiaries ("PAHL" or the Group) still managed to turn in positive results during the financial year under review. This was a testament to the effective restructuring transformation and our strong management leadership that has been in focus over the years. We have successfully built a strong business foundation through adopting appropriate measures to control costs and enhance our operational capabilities.

During the year, we continued to experience pressure on our margins and profitability for our traditional products of piping and fittings. As such, we have adopted several cost-cutting measures on existing operations, while keeping a vigilant lookout for investment opportunities.

We have managed to clinch a project that was worth more than US$4.8 million for supplying our products to the Phnom Penh Water Supply Authority in Cambodia. This is a high profile infrastructure project that is funded by AFD (AGENCE FRANCAISE DE DEVELOPMENT), France, helping the Group to open up possibilities for future government projects. Furthermore, our Malaysian operations PVT Engineering Sdn Bhd has recently secured the prestigious Sungei Gombak 2 project M&E works totaling more than 10 million ringgit, and the Puah Pond project worth more than 2 million ringgit.

Meanwhile, we are also exploring opportunities to diversify into manufacturing of system-based units to widen our product offerings within the water management and infrastructure industries.

FINANCIAL PERFORMANCE

In FY2011, the Group reported strong revenue growth which increased by 34.04% to $47.5 million as compared to $35.5 million in FY2010. This was mainly due to the increase in sales in our China, Malaysia and Cambodia markets, as well as new sales territories such as the United Kingdom and Holland. As such, gross profit was correspondingly higher by 21.1% to $9.3 million in FY2011 against $7.7 million in FY2010. However, gross profit margin dipped slightly by 2.1% from 21.8% to 19.7% in the financial year under review. This was part of the Group's strategy to lower profit margins so as to boost sales volume. The strategic move has yielded positive results for the Group.

FORGING ON AGAINST ALL ODDS

As we continue to build on and enhance the Duvalco brand of product range, we would also be strengthening our product capabilities and expertise in new fields which we have recently embarked on, which included eco technology and the application of wind, solar and aqua energy to water treatment processes. We have successfully acquired a 150-year old Australian business that produces windmill and solar power water pumps. These innovative ventures have provided further boost to our bottom line, while bolstering our positioning in the water treatment market. We believe that these innovative ventures will boost our bottom line, while bolstering our positioning in the water treatment market.

In line with our plans to refine and expand our capabilities and product offerings, we have established two wholly-owned subsidiaries during the year, PA Airwater would be principally engaged in the research and development and marketing of "airwater water" dispenser machines, thereby providing an avenue to grow our downstream capabilities. We are confident that these subsidiaries would be able to contribute positively to the Group's bottom line in the years to come.

Apart from diversification and expanding our downstream capabilities, we are

CHAIRMAN'S STATEMENT

also working on enhancing our core upstream business products through embarking on an equal joint-venture with Franklin Hodge Industries Ltd, a company incorporated in the United Kingdom. The joint-venture company, Franklin Hodge (Asia) Pte Ltd, would be involved in the trading and manufacturing of engineering products, as well as supply and installation of storage water tanks for water works applications. These activities are in line with the Group's core business and would enable us to tap on the expertise of our foreign partner, allowing us to produce even higher quality products for our customers. The joint venture has already achieved profitability in its first year of operations.

Along the same line, we are looking to relocate some of our manufacturing capabilities to Asia through our Original Equipment Manufacturing (OEM) partners to make our products more competitive in pricing, so as to boost our sales.

During the year, the Group has also changed our name from Pan Asian Water Solutions Limited to Pan Asian Holdings Limited with effect from 29 April 2011. This change helps the Group to better align our marketing and branding efforts, that enables us to stay more focused in our main business activities whilst pursuing other related projects in our diversification efforts.

BUSINESS OUTLOOK AND PROSPECTS

As the Europe's debt crisis persists, we expect the year ahead to continue to be filled with uncertainties, adding pressures on our margins and profitability. Nevertheless, we would continue to forge ahead and remain steadfast in our cause and business objectives with a clear sight on developing our manufacturing strengths while expanding our existing products and target markets.

Additionally, more resources and effort would be spent on developing and expanding the Duvalco range of products, we expect this to contribute positively to our Group's bottomline in the years ahead. Over and above our existing product range, we would also be exploring ways to enhance our spectrum of product offerings, while expanding our manufacturing facilities.

Recently, we have established Duvalco Controls Co Ltd in Thailand, Pan Asian (Tianjin) Industrial and Trading Co. Ltd in China, and DVC Valves (M) Sdn Bhd in Malaysia. The companies would be involved in the supply of piping systems, valves, water tank and related accessories. All these acquisitions would enable us to tap on the various capabilities and sales network of our new partners.

Moving forward, we expect the operating environment to continue to be challenging but we believe that we would be able to emerge even stronger in the face of these challenges as the Group continually strives to grow our market share in our respective product range, while exploring diversification opportunities. We are confident that the Group would be able to ride through these difficult times and grow from strength to strength in the many years to come.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my appreciation to our management and staff who has been most committed in contributing towards the Group's success.

I would also like to thank our suppliers, business partners and associates, and valued shareholders for their support and faith in the Group over the years even as we ride through the difficult periods. We are confident that the Group can emerge even stronger as we continue to forge on in our cause to create greater value for all our stakeholders.

Pan Asian Manufacturing (Tianjin) Co., Ltd. located at Tianjin Eco City (Artist's impression)

BOARD OF DIRECTORS

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 period of 20 years, Mr Koh has held various key positions in the Group and has been instrumental in its regional expansion. Mr. Koh holds a Bachelor of Engineering from National University of Singapore.

GOH BOON KOK

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, including Super Coffeemix Manufacturing Limited, Magnus Energy Group Ltd and Adroit Innovations Limited.

WU YU LIANG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed as an Independent Director on 20 March 2009. An advocate and solicitor for the last 26 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, See Hup Seng Limited and China Environment Limited, companies listed on the SGX-ST.

INDRIATI KHOE

NON-EXECUTIVE DIRECTOR

Appointed as an Independent 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 to Pan Asian Water Solution 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

EE KENG BOON DONALD

GROUP EXECUTIVE DIRECTOR (NON – BOARD MEMBER)

Joined in May 2010 as Personal Advisor to the Executive Chairman, Dr Donald Ee recently took on the new role of Group Executive Director in March 2012. Bringing with him considerable management and business experience, he provides leadership to the management team and day-to-day operations that would assist the company in its next level of growth.

Prior to joining the company, Donald spent five years teaching at the Business School (post-graduate) of the University of Western Australia, and had also been a management consultant to several companies in the past. He was conferred the Pingat Bakti Masharakat (PBM) by the President of the Republic of Singapore in the 1997 National Day Honours List.

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. He 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.

BRUCE GORDON MILNE

SALES AND MARKETING DIRECTOR

An accomplished marketing practitioner in Australia, Mr Bruce Milne joined the company as Sales and Marketing Director in March 2012. His primary role is to assist the company to achieve its desired sales goals by working with the various sales operating units, including its joint-venture operations.

Prior to joining the company, Bruce spent many years heading several Australian businesses such as Eclipse Universal, Tracker Boats, Medichill, Jason Australasia, Precision Marketing, Spectrum Group of Companies, and Hugall & Hoile. He holds a Bachelor of Business degree from Curtin University and membership of several professional bodies.

CHEE BENG CHOON, DOUGLAS

*GENERAL MANAGER
(TECHNICAL / MARKETING)*

Mr. Chee is responsible for the overall technical marketing and business development functions of the company, focusing primarily in the marketing and promotion of its line of products and services to the water purification, wastewater treatment plant system providers and public utilities boards. Mr. Chee 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 a Diploma in Management Studies and Electronics and Communications from the Singapore Institute of Management and Singapore Polytechnic respectively and has more than 17 years of experience in the industry.

TAN KOK CHENG

*GENERAL MANAGER
(PRODUCTS)*

Mr. Tan is responsible for the company's domestic sales of pipes, valves and fittings products focusing in the water and waste-water segments. He has developed a close network of customers for the company during his 29 years of service. Mr. Tan currently heads a team of sales engineers and is always keen to source for new product lines that will enhance the services provided and satisfy the needs of its current customers.

TEO YEW LEONG, ERIC

*REGIONAL SALES MANAGER
(DUVALCO VALVES & FITTINGS PTE LTD)*

Mr. Teo is responsible for the sales and marketing of the Duvalco brand of valves and fittings, focusing on the domestic water and waste-water 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. Mr. Teo holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore.

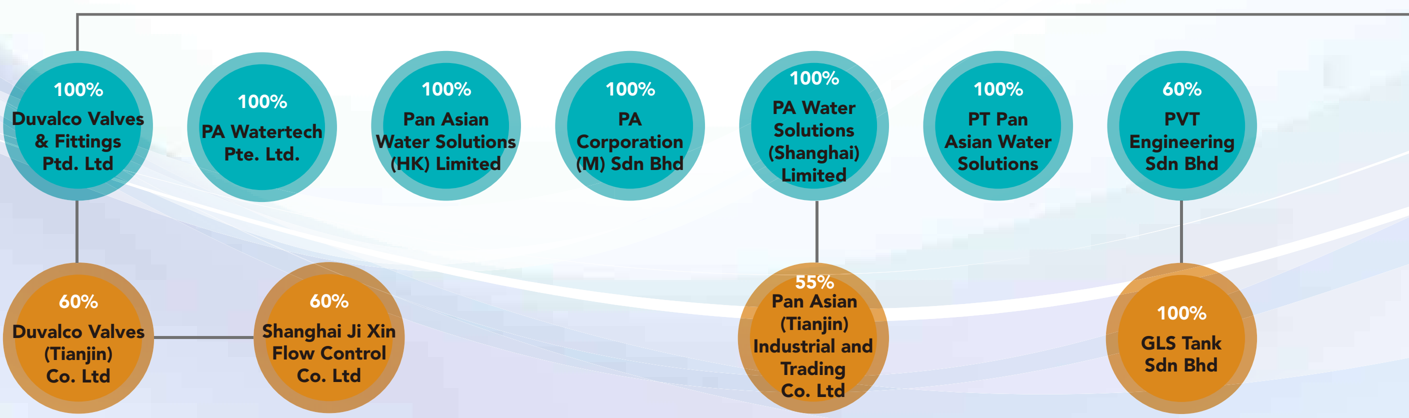
KWAN KOON HO, HARVEY

*GENERAL MANAGER
(PAN ASIAN WATER SOLUTIONS (HK) LIMITED)*

Mr. Kwan is responsible for the subsidiary's overall sales, marketing and business developments, primarily in the marketing and promotion of our products and services to Hong Kong W.S.D., D.S.D., consultants and contractors. Mr. Kwan's responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering. Mr. Kwan holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 10 years of experience in the industry.

GROUP STRUCTURE

Pan Asian Holdings Limited



Head Office:

Pan Asian Holdings Limited
No. 2, Tractor Road
Singapore 627966
Tel : 65-6268 7227
Fax : 65-6268 3679
E-mail : enquiry@pawater.com.sg

Subsidiaries

Duvalco Valves & Fittings Pte. Ltd.
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Singapore 627966
Tel : 65-6265 8128
Fax : 65-6265 8028
E-mail : enquiry@dulvalco.net

PA Watertech Pte. Ltd.
No. 2, Tractor Road
Singapore 627966
Tel : 65-6268 7227
Fax : 65-6268 9679
E-mail : enquiry@pawatertech.com

Pan Asian Water Solutions (HK) Limited
Rm 1707 17/F Multifield Plaza
3-7A Prat Avenue, TST Kowloon
Tel : 852-2376 2992
Fax : 852-2376 2662
E-mail : pamhk@netvigator.com

PA Corporation (M) Sdn Bhd
D-5-58 Block Dahlia, 10 Boulevard,
Lebuhraya SPRINT, PJU 6A,
47400 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel : 60-3 7806 1415
Fax : 60-3 7725 7795

PA Water Solutions (Shanghai) Limited
Unit No.: #11-04 Super Ocean
Finance Center Building,
2067 Yan An Road (West),
Shanghai 200335, PR China
Tel : 86-21 6295 1208
Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

PT Pan Asian Water Solutions
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Jakarta Pusat 10150, Indonesia
Tel : 62-21-3450049
Fax : 62-21-3450051
E-mail : enquiry@pawater.com.sg

PVT Engineering Sdn Bhd
GLS Tank Sdn Bhd[4]
DVC Valves (M) Sdn Bhd
D-5-58 Block Dahlia, 10 Boulevard,
Lebuhraya SPRINT, PJU 6A,
47400 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel : 60-3 7806 1415
Fax : 60-3 7725 7795

Pan Asian Manufacturing (Tianjin) Co Ltd
Unit No.: #11-04 Super Ocean
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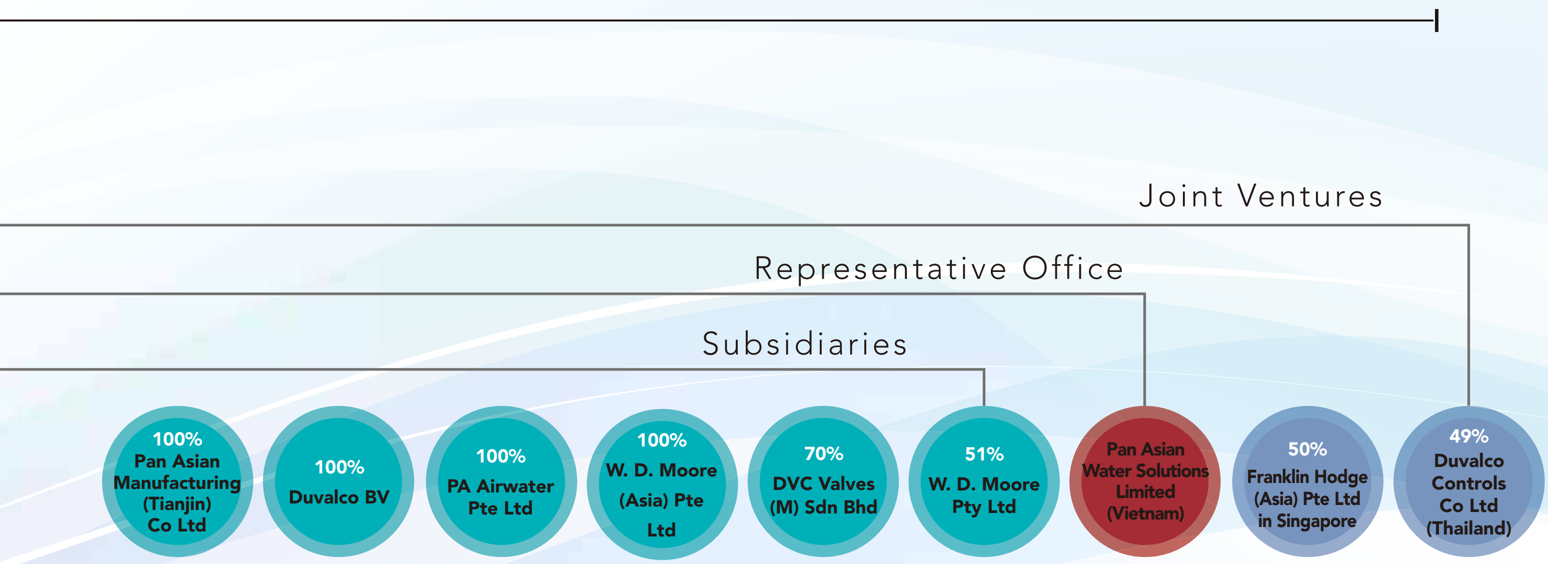
Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

Duvalco BV
Planckstraat 61, 3316 GS Dordrecht,
The Netherlands
Tel : 31-(0) 78 6 54 52 50
Fax : 31-(0) 78 6 54 52 60
E-mail : enquiry@dulvalco.net



PA Airwater Pte Ltd
No. 2, Tractor Road.
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Tel : 65-6268 7227
Fax : 65-6268 9679
E-mail : enquiry@pawater.com.sg

W. D. Moore (Asia) Pte Ltd
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Singapore 627966
Tel : 65-6268 7227
Fax : 65-6268 9679
E-mail : enquiry@dulvalco.net

W. D. Moore Pty Ltd
3 Keegan Street
O'Connor Western Australia 6163
Tel : 61-89337 4766
Fax : 61-89314 1306
E-mail : geoff@wdmoore.com.au

Held through a subsidiary

Duvalco Valves (Tianjin) Co. Ltd[1]
Unit No.: #11-04 Super Ocean
Finance Center Building,
2067 Yan An Road (West),
Shanghai 200335, PR China
Tel : 86-21 6295 1208
Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

Shanghai Ji Xin Flow Control Co. Ltd[2]
Unit No.: #11-04 Super Ocean
Finance Center Building,
2067 Yan An Road (West),
Shanghai 200335, PR China
Tel : 86-21 6295 1208
Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

Pan Asian (Tianjin) Industrial and Trading Co. Ltd[3]
Unit No.: #11-04 Super Ocean
Finance Center Building, 2067 Yan
An Road (West), Shanghai 200335,
PR China
Tel : 86-21 6295 1208
Fax : 86-21 6295 1308
E-mail : enquiry@pawater.com.cn

Joint Ventures

Franklin Hodge (Asia) Pte Ltd in Singapore
No. 2, Tractor Road.
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Tel : 65-6268 7227
Fax : 65-6268 9679
E-mail : enquiry@franklinhodge.com.sg

Duvalco Controls Co Ltd (Thailand)
Phayathai Plaza Building, 9th Floor,
No. 128/110, Phayathai Road,
Kwaeng Thung Phayathia,
Khet Ratchathewi, Bangkok 10400
Tel : 66-2612 1001
Fax : 66-2612 1003
E-mail : enquiry@pawater.com.sg

Representative Office

Pan Asian Water Solutions Limited (Vietnam)
115 Phan Xich Long, Ward 7,
District PhuNhuan,
Ho Chi Minth City, Viewnam
Tel : 848-5177343
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E-mail : panasian.viewnam@hcm.vnn,vn

Note

(1) Duvalco Valves (Tianjin) Co. Ltd is held by Duvalco Valves & Fittings Pte Ltd
(2) Shanghai Ji Xin Flow Control Co. Ltd is held by Duvalco Valves (Tianjin) Co Ltd
(3) Pan Asian (Tianjin) Industrial and Trading Co. Ltd is held by PA Water Solutions (Shanghai) Limited
(4) GLS Sdn Bhd is held by PVT Engineering Sdn Bhd.

OPERATIONS REVIEW

The Group managed to finish FY2011 with a higher profit than the year before, despite a backdrop of global economic uncertainty. We have continually taken active steps to maintain our results as our industry remains competitive with increasing pressures on margins. As such, we managed to deliver positive figures in most areas during the year under review.

In FY2011, we registered a 34.04% increase in revenue to $47.5 million as overall sales in all areas increased. Gross profit margin, however, decreased by 2.1% from 21.8% to 19.7% in FY2011 due to deliberate lowering of profit margins to achieve a higher sales volume for the reporting year.

Where costs were concerned, our marketing and distribution costs were higher by 10.0% from $4.1 million in FY2010 to $4.5 million in FY2011. This was mainly attributable to the increase in sales activities to increase awareness of our products in new territories in Vietnam, Holland and China. Concurrently, administrative expenses also climbed by 45.8% to $6.0 million as a result of expenses incurred in the new entities incorporated in the new market territories.

Correspondingly, finance cost was also up by 44.4% to $195,000 in FY2011 to fund increased sales activities and additional working capital, while other charges were higher by $141,000 from $537,000 in FY2010 to $678,000 in FY2011 caused by an amortization of intangible assets and foreign exchange adjustment losses during the reporting year.

Total assets surged from $30.0 million in FY2010 to $47.2 million in FY2011. This was mainly due to an increase in inventories which were in line with the higher revenue, an expansion in trade and other receivables, a growth in other assets due to the down payment for the factory construction in China, and a climb in cash and cash equivalents.

Total liabilities were also up to $22.6 million for the year against $11.4 million for the previous year. This was mainly caused by an increase in other financial liabilities due to higher utilization of facilities and an increase in trade and other payables led by higher sales activities during the period under review.

Segmental and Geographical Performance

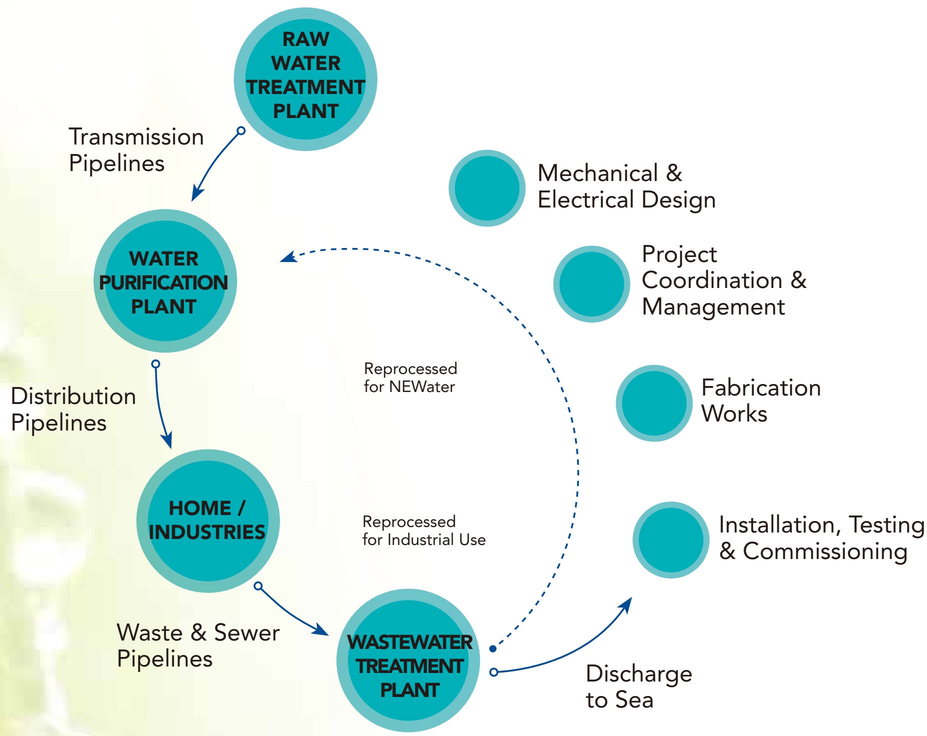
In line with the Group's strong performance, most of the product segments report better results as compared to last year. Revenue from the NEWater segment increased almost two folds from $634,000 in FY2010 to $1.0 million in FY2011, while revenue contributed by the Valves segment was up about three times from $2.9 million in FY2010 to $10.5 million in FY2010.

However, revenue from the Potable Water segment was relatively unchanged as it registered sales of $27.8 million against $27.9 million in the previous year, while the Wastewater segment reported revenue that dipped from $2.7 million in FY2010 to $253,000 in FY2011.

Geographically, our Singapore market share continued to grow from $11.1 million in FY2010 to $13.6 million in FY2011. With the substantial amount of resources of efforts that we have invested in selective markets, we began to yield positive results as sales revenue from Vietnam, China, and Malaysia were also greatly boosted.

We are greatly encouraged by these results and will continue to strive to grow our market share in the various territories by enhancing our product offerings and sales distribution channels, working with strategic partners in the various markets that can offer synergy to our business.

SUPPORTING THE ENTIRE WATER CYCLE



MARINE / OIL & GAS

OFFSHORE

REFINERY

INDUSTRIAL APPLICATIONS

CHEMICAL

MARINE

POWER PLANT

ECO-FRIENDLY ENVIRONMENT

CORPORATE GOVERNANCE STATEMENT

The Board of Directors and Management of Pan Asian Holdings Limited Group are committed to maintaining a high standard of corporate governance to facilitate effective management and safeguard interests of shareholders of the Company.

This Corporate Governance Report lists out the corporate governance processes and structures of the Group, with specific reference to the principles and guidelines of the Singapore Code of Corporate Governance 2005 (the "Code 2005") issued by the Singapore Council on Corporate Disclosure and Governance, and where applicable, the Catalist Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Group.

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 and the composition of the Board is as follows:

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

The Directors bring a wide range of business, legal and financial experiences and expertise relevant to the Group. The Board's key responsibilities include providing leadership and supervision to the Management of the Group to enhance long-term shareholder value.

CORPORATE GOVERNANCE STATEMENT

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 internal controls and guidelines adopted by the Board set out authority and approval procedures and limits for the Group 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 announcements 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, all Directors are free to speak and openly challenge the views presented by Management and other Directors.

The Company's Articles of Association provides for Board meetings to be conducted by way of 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 2011 and the attendance of each Director are as follows:–

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Number of meetings	4	4	2	2
Richard Koh Chye Heng	4	NA	NA	NA
Koh Eddie	4	NA	NA	NA
Goh Boon Kok	4	4	2	2
Wu Yu Liang	4	4	2	2
Indriati Khoe	4	4	2	2

The Directors' academic and professional qualifications are set out on pages 8 to 9 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

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 encouraged to attend seminars and trainings to enhance their knowledge for them to discharge their duties and responsibilities. The Company works closely with sponsor, auditors and company secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing manuals, 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.

CORPORATE GOVERNANCE STATEMENT

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 be in principle 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 Eddie, Managing Director cum Chief Executive Officer of the Company 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, to:

(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.

CORPORATE GOVERNANCE STATEMENT

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 cum 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. The NC members are:

Wu Yu Liang (Chairman) (Independent Director)
Goh Boon Kok (Independent Director)
Indriati Khoe (Non-Executive Director)

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.

CORPORATE GOVERNANCE STATEMENT

The Articles of Association of the Company states that one-third of the Directors have 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.

Mr Richard Koh Chye Heng is subject to retirement at the forthcoming AGM pursuant to the Articles of Association of the Company. Mr Goh Boon Kok, who is over the age of 70 years, will have to retire at the forthcoming AGM pursuant to Section 153 (6) of the Companies Act, Cap. 50.

Accordingly, the NC has assessed and recommended and the Board has endorsed the re-election of Mr Richard Koh Chye Heng and re-appointment of Mr Goh Boon Kok, who have offered themselves for re-election/re-appointment, by shareholders at the annual general meeting

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	22 April 2010
Koh Eddie	Managing Director cum Chief Executive Officer	1 December 1989	22 April 2010
Wu Yu Liang	Independent Director	20 March 2009	29 April 2011
Goh Boon Kok	Independent Director	20 March 2009	29 April 2011
Indriati Khoe	Non-Executive Director	29 May 2009	22 April 2010

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 2011 having regard to the active participation of each Board member during each Board and Committee meeting.

CORPORATE GOVERNANCE STATEMENT

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:–

Wu Yu Liang (Chairman) (Independent Director)
Goh Boon Kok (Independent Director)
Indriati Khoe (Non-executive Director)

All 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.

CORPORATE GOVERNANCE STATEMENT

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 supplemental letter dated 3 April 2012. The Service Agreement has been renewed for another three (3) years with effect from 20 March 2012.

The remuneration of Managing Director cum Chief Executive officer of Mr Koh Eddie is based on Service Agreement dated 29 May 2009 and supplemental letter dated 3 April 2012. The Service Agreement has been renewed for another two (2) years with effect from 29 May 2011.

The Independent Directors 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.

CORPORATE GOVERNANCE STATEMENT

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 2011 is set out below:

Remuneration Band up to S$250,000

Name	Fixed Salary/ Fees	Variable	Other Benefits
Independent Directors			
Goh Boon Kok	100%	–	–
Wu Yu Liang	100%	–	–
Non-Executive Director			
Indriati Khoe	100%	–	–
Key Management Staff			
Douglas Chee Beng Choon	93%	6%	1%
Raymond Tan Kok Cheng	65%	34%	1%
Chew Khong Yuen	100%	0%	0%
Donald Ee Keng Boon	100%	0%	0%
Eric Teo Yew Leong	91%	9%	0%

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

Name	Fixed Salary/ Fees	Variable	Other Benefits
Executive Directors			
Koh Eddie	99%	0%	1%
Richard Koh Chye Heng	91%	0%	9%

CORPORATE GOVERNANCE STATEMENT

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.

Save for Mr Richard Koh Chye Heng and Mr Koh Eddie as disclosed above, there are no other employees of the Company and its subsidiary companies was an immediate family member of a Director and whose remuneration exceeded S$150,000 during the financial year ended 31 December 2011.

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.

The members of the AC are:

Goh Boon Kok (Chairman) (Independent Director)
Wu Yu Liang (Independent Director)
Indriati Khoe (Non-Executive Director)

CORPORATE GOVERNANCE STATEMENT

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

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 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 Company complies with Rules 712 and 716 of the Catalist Listing Manual of the SGX-ST in relation to auditing firms.

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 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.

CORPORATE GOVERNANCE STATEMENT

The Company has put into place a whistle-blowing framework, endorsed by the Audit Committee, where employees of the Company may, in confidence, 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 has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational and compliance risks and with the concurrence of the AC, are of the view that the internal controls framework of the Company is adequate. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's Management is robust and effective.

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

The Board 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 robust and effective system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the Audit Committee.

The internal 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. All audit findings are presented to the Audit Committee and the results of the findings are also shared with the external auditors.

CORPORATE GOVERNANCE STATEMENT

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, the external auditors and the sponsor will be present at the AGM to address any queries from the shareholders.

DEALINGS IN SECURITIES

[Catalist Rule 1204(19)]

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 2011 conducted pursuant to the shareholders' mandate obtained in accordance with Chapter 9 of the Catalist Listing Manual of the SGX-ST and is satisfied that the transactions were on normal commercial terms.

CORPORATE GOVERNANCE STATEMENT

The aggregate value of interested person transactions entered into during the financial year 2011 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	–	354,000
Sinzhong Valves & Fittings (Wuxi) Co Ltd	–	2,381,000

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.

CORPORATE GOVERNANCE STATEMENT

AUDIT AND NON-AUDIT FEES

[Catalist Rule 1204(6)(A)]

The amount of fees paid to external auditors, in respect of audit and non-audit services for the year under review are $176,000 and $21,000, respectively.

CATALIST SPONSOR

[Catalist Rule 1204(20)]

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

UTILIZATION OF PROCEEDS OF RIGHTS ISSUE

[Catalist Rule 1204 (22)]

The Company raised $4,375,000 from the renounceable rights issue of 62,500,000 new ordinary shares in the capital of the Company at an issue price of $0.07 in January 2011 ("Rights Issue"). The proceeds have been utilized in accordance with the purposes as set out in the Offer Information Statement dated 6 December 2010 as follows:

i. $3,000,000 of the proceeds has been utilized as paid up capital in the Group's subsidiary, Pan Asian Manufacturing (Tianjin) Co. Ltd, in March 2011;
ii. $630,000 of the proceeds has been utilized as working capital in August 2011; and
iii. $745,000 of the proceeds has been utilized as working capital in January 2012.

Accordingly, the proceeds from the Rights Issue has been fully utilized in accordance with the purposes as set out in the Offer Information Statement dated 6 December 2010.

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 reporting year ended 31 December 2011. Before 29 April 2011, the Company was known as Pan Asian Water Solutions Limited, which was changed to its present name.

1. DIRECTORS AT DATE OF REPORT

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

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

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the reporting year nor at any time during the reporting year did there subsist 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 except as disclosed in paragraph 5 below.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the reporting 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, Chapter 50 except as follows:

Name of directors and companies in which interests are held	Deemed interest At beginning of the reporting year	 At end of the reporting year	 At 21 January 2012
In the Company	**Number of shares of no par value**		
Richard Koh Chye Heng	93,750,000	141,700,000	141,700,000
Koh Eddie	93,750,000	141,700,000	141,700,000
Indriati Khoe	93,750,000	141,700,000	141,700,000

DIRECTORS' REPORT

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

	Direct interest At beginning of the reporting year	At end of the reporting year
In the parent company – Xu Jia Zu Holdings Pte. Ltd.	**Number of shares of no par value**	
Richard Koh Chye Heng	750,050	750,050
	1 [(A)]	1 [(A)]
Koh Eddie	750,052	750,052

Name of directors and companies in which interests are held	At beginning of the reporting year	Deemed interest At end of the reporting year	At 21 January 2012
In the Company	**Number of warrants**		
Richard Koh Chye Heng	–	46,875,000	46,875,000
Koh Eddie	–	46,875,000	46,875,000

Name of directors and companies in which interests are held	At beginning of the reporting year	Deemed interest At end of the reporting year	At 21 January 2012
In the Company	**Number of warrants**		
Goh Boon Kok	–	1,075,000	1,075,000
Wu Yu Liang	–	1,075,000	–

By virtue of section 7 of the Companies Act, Chapter 50, Koh Eddie, Richard Koh Chye Heng and Indriati Khoe are deemed to have an interest in all the related corporations of the Company.

[(A)] Richard Koh Chye Heng holds 1 golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Memorandum & Articles of Association.

DIRECTORS' REPORT

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the reporting 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, Chapter 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 as disclosed in the financial statements.

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

5. SHARE OPTIONS

During the reporting year, there was no option to take up unissued shares of the Company or any subsidiary was granted except as follows:

On 3 January 2011, the Company made a renounceable non-underwritten rights issues of up to 62,500,000 new ordinary shares in the capital of the Company at an issue price of $0.07 for each rights share on the basis of one rights share for every two existing ordinary shares held by entitled shareholders and up to 62,500,000 free detachable warrants. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.08 for each new share, on the basis of one warrant for every one rights share subscribed. The warrants expire on 11 January 2013.

During the reporting year, an aggregate of 125,000 new ordinary shares were issued by virtue of the exercise of 125,000 warrants at the stated exercise price.

At the end of the reporting year, a total of 62,375,000 warrants were outstanding.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option except for those disclosed in the above paragraph.

DIRECTORS' REPORT

6. INDEPENDENT AUDITORS

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

7. AUDIT COMMITTEE

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

Goh Boon Kok	(Chairman)
Indriati Khoe	(Non-executive director)
Wu Yu Liang	(Independent 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 evaluation of the Company's internal accounting control, and their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditors the scope and results of the internal audit procedures;
- 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 transaction (as defined in Chapter 9 of the 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.

DIRECTORS' REPORT

8. SUBSEQUENT DEVELOPMENTS

Save as disclosed in the notes to the financial statements, there are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 29 February 2012, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On Behalf of The Directors

Richard Koh Chye Heng
Director

Koh Eddie
Director

11 April 2012

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements 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 December 2011 and of the results and cash flows of the Group and changes in equity of the Company and of the Group for the reporting 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

Koh Eddie
Director

11 April 2012

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pan Asian Holdings Limited (the Company) and its subsidiaries (the Group) set out on pages 40 to 121, which comprise the statements of financial position of the Group and of the Company as at 31 December 2011, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

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

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and the 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 December 2011 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

RSM Chio Lim LLP
Public Accountants and
Certified Public Accountants
Singapore

11 April 2012

Partner in charge of audit: Chang Fook Kay
Effective from year ended 31 December 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2011

	Notes	Group 2011 $'000	Group 2010 $'000
Revenue	5	**47,533**	35,463
Cost of Sales		**(38,190)**	(27,748)
Gross Profit		**9,343**	7,715
Other Items of Income			
Interest Income		**54**	18
Other Credits	6	**2,379**	1,301
Other Items of Expense			
Marketing and Distribution Costs	7	**(4,478)**	(4,071)
Administrative Expenses	7	**(5,991)**	(4,109)
Finance Costs		**(195)**	(135)
Other Charges	6	**(678)**	(537)
Share of Profit from Equity-Accounted Joint Ventures		**11**	–
Profit Before Tax from Continuing Operations		**445**	182
Income Tax Expense	9	**(163)**	(26)
Profit from Continuing Operations, Net of Tax		**282**	156
Other Comprehensive Income/(Loss):			
Exchange Differences on Translating Foreign Operations, Net of Tax		**481**	(262)
Other Comprehensive Income/(Loss) for the Year, Net of Tax:		**481**	(262)
Total Comprehensive Income/(Loss)		**763**	(106)
Profit Attributable to Owners of the Parent, Net of Tax		**171**	237
Profit/(Loss) Attributable to Non-Controlling Interests, Net of Tax		**111**	(81)
Profit Net of Tax		**282**	156
Total Comprehensive Income Attributable to Owners of the Parent		**573**	20
Total Comprehensive Income/(Loss) Attributable to Non-Controlling Interests		**190**	(126)
Total Comprehensive Income/(Loss)		**763**	(106)
Earnings Per Share		**Cents**	Cents
Basic	10	**0.09**	0.18
Diluted	10	**0.09**	0.18

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	**7,952**	4,847	**3,143**	3,429
Investments in Subsidiaries	12	**–**	–	**10,795**	5,582
Investments in Joint Ventures	13	**60**	–	**49**	–
Intangible Assets	14	**2,279**	2,548	**–**	–
Land Use Rights	15	**2,852**	–	**–**	–
Other Assets	16	**87**	87	**87**	87
Deferred Tax Assets	9	**–**	166	**–**	–
Total Non-Current Assets		**13,230**	7,648	**14,074**	9,098
Current Assets					
Inventories	17	**4,271**	4,132	**1,599**	2,815
Trade and Other Receivables	18	**18,098**	10,519	**17,485**	8,557
Other Assets	19	**3,078**	1,014	**711**	244
Cash and Cash Equivalents	20	**8,566**	6,711	**3,446**	3,798
Total Current Assets		**34,013**	22,376	**23,241**	15,414
Total Assets		**47,243**	30,024	**37,315**	24,512
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share Capital	21	**13,174**	8,947	**13,174**	8,947
Other Reserves	23	**(77)**	(492)	**–**	–
Retained Earnings		**9,007**	8,849	**10,297**	8,045
Equity, Attributable to Owners of the Parent, Total		**22,104**	17,304	**23,471**	16,992
Non-Controlling Interests		**2,555**	1,273	**–**	–
Total Equity		**24,659**	18,577	**23,471**	16,992

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-Current Liabilities					
Deferred Tax Liabilities	9	**317**	190	**81**	81
Other Financial Liabilities	24	**477**	1,223	**319**	1,188
Total Non-Current Liabilities		**794**	1,413	**400**	1,269
Current Liabilities					
Income Tax Payable		**309**	578	**296**	535
Other Financial Liabilities	24	**5,319**	2,159	**3,561**	1,593
Other Liabilities	25	**–**	106	**–**	106
Trade and Other Payables	26	**16,162**	7,191	**9,587**	4,017
Total Current Liabilities		**21,790**	10,034	**13,444**	6,251
Total Liabilities		**22,584**	11,447	**13,844**	7,520
Total Equity and Liabilities		**47,243**	30,024	**37,315**	24,512

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2011

Group:	Total Equity $'000	Non-Controlling Interests $'000	Attributable To Parent Sub-total $'000	Share Capital $'000	Retained Earnings $'000	Other Reserves $'000
Current Year:						
Opening Balance at 1 January 2011	**18,577**	**1,273**	**17,304**	**8,947**	**8,849**	**(492)**
Movements in Equity:						
Total Comprehensive Income for the Year	**763**	**190**	**573**	**–**	**171**	**402**
Issuance of Shares (Note 21)	**4,227**	**–**	**4,227**	**4,227**	**–**	**–**
Transfer to Statutory Reserve (Note 23)	**–**	**–**	**–**	**–**	**(13)**	**13**
Acquisition of subsidiaries (Note 29)	**1,092**	**1,092**	**–**	**–**	**–**	**–**
Closing Balance at 31 December 2011	**24,659**	**2,555**	**22,104**	**13,174**	**9,007**	**(77)**
Previous Year:						
Opening Balance at 1 January 2010	18,534	–	18,534	8,947	9,888	(301)
Movements in Equity:						
Total Comprehensive (Loss)/Income for the Year	(106)	(126)	20	–	237	(217)
Dividends Paid (Note 27)	(1,250)	–	(1,250)	–	(1,250)	–
Transfer to Statutory Reserve (Note 23)	–	–	–	–	(26)	26
Acquisition/Incorporation of subsidiaries	1,399	1,399	–	–	–	–
Closing Balance at 31 December 2010	18,577	1,273	17,304	8,947	8,849	(492)

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2011

Company:	Total Equity $'000	Share Capital $'000	Retained Earnings $'000
Current Year:			
Opening Balance at 1 January 2011	**16,992**	**8,947**	**8,045**
Movements in Equity:			
Issuance of Shares (Note 21)	**4,227**	**4,227**	**–**
Total Comprehensive Income for the Year	**2,252**	**–**	**2,252**
Closing Balance at 31 December 2011	**23,471**	**13,174**	**10,297**
Previous Year:			
Opening Balance at 1 January 2010	17,429	8,947	8,482
Movements in Equity:			
Total Comprehensive Income for the Year	813	–	813
Dividends Paid (Note 27)	(1,250)	–	(1,250)
Closing Balance at 31 December 2010	16,992	8,947	8,045

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2011

	Group	
	2011	**2010**
	$'000	**$'000**
Cash Flows from Operating Activities		
Profit Before Tax	**445**	182
Adjustment for:		
Depreciation of Property, Plant and Equipment	**612**	454
(Gain)/Loss on Disposal of Property, Plant and Equipment	**(214)**	24
Gain on Disposal of Assets Held for Sale	**–**	(110)
Amortisation of Intangible Asset	**269**	153
Refund of Shortfall of Profits Guarantee by Vendor (Note 29)	**(820)**	–
Gain on Bargain Purchases (Note 29)	**(1,291)**	–
Share of Profit from Equity-Accounted Joint Ventures	**(11)**	–
Interest Income	**(54)**	(18)
Interest Expense	**195**	135
Operating Cash Flow before Changes in Working Capital	**(869)**	820
Cash Restricted in Use Over 3 months	**406**	1,643
Trade and Other Receivables	**(7,277)**	459
Other Assets	**(2,064)**	(455)
Inventories	**777**	2,576
Other Liabilities	**(106)**	106
Trade and Other Payables	**8,971**	(6,187)
Net Cash Flows From Operations	**(162)**	(1,038)
Income Taxes Paid	**(82)**	(408)
Net cash Used in Operating Activities	**(244)**	(1,446)
Cash Flows From Investing Activities		
Proceeds from Disposal of Assets Held for Sale	**–**	659
Proceeds from Disposal of Property, Plant and Equipment	**229**	–
Purchase of Property, Plant and Equipment (Note 20B)	**(459)**	(1,432)
Net Cash Outflow from Acquisition of Subsidiaries (Note 29)	**(1,381)**	(2,375)
Investment in Joint Ventures	**(49)**	–
Refund of Shortfall of Profits Guarantee by Vendor (Note 29)	**820**	–
Purchase of Land Use Rights	**(2,852)**	–
Cash Restricted in Use Over 3 months	**(1,000)**	–
Interest Received	**54**	18
Net Cash Used in Investing Activities	**(4,638)**	(3,130)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2011

	Group	
	2011	2010
	$'000	$'000
Cash Flows From Financing Activities		
Interest Paid	**(195)**	(135)
Dividends Paid to Equity Owners	**–**	(1,250)
Repayment of Bank Borrowings	**(1,073)**	(86)
Increase from New Borrowings	**3,115**	273
Finance Lease Repayment	**(298)**	(123)
Issuance of Shares	**4,227**	–
Capital Contributions from Non-Controlling Interest	**–**	1,072
Net Cash From/(Used in) Financing Activities	**5,776**	(249)
Net Increase/(Decrease) in Cash and Cash Equivalents	**894**	(4,825)
Effect of Exchange Rate Changes on Cash and Cash Equivalent	**65**	(232)
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	**6,017**	11,074
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 20A)	**6,976**	6,017

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

1. GENERAL

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

The board of directors approved and authorised these financial statements for issue on 11 April 2012.

Before 29 April 2011 the Company was known as Pan Asian Water Solutions Limited.

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 situated 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, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of Presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its 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 profit or loss and other comprehensive income items and dividends are eliminated on consolidation. The results of any subsidiary acquired or disposed of during the reporting year are accounted for from the respective dates of acquisition or up to the date of disposal which is the date on which effective control is obtained of the acquired business until that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components from the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

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

The equity accounting method is used for joint ventures in the Group financial statements.

Basis of Preparation of the Financial Statements

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

Revenue Recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, 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 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. Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see below).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction Contracts

When the outcome of a construction contract can be estimated reliably, the contract 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 proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method except where this would not be representative of the stage of completion. 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 work in progress projects have operating cycles longer than one year. The Company includes in current assets amounts relating to the contracts realisable over a period in excess of one year. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. 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 end of each 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 and joint ventures except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

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 end of each 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of Financial Statements of Other Entities

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

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 properties	–	Over the terms of lease that are from 2% to 4.3%.
Plant and equipment	–	10% to 33.33%.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment (Continued)

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is 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 end of each reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent 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.

Segment Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

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 reporting entity controls another entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries (Continued)

In the Company's own separate financial statements, an investment in a subsidiary is stated at cost less any allowance for impairment in value adjusted for any changes in contingent consideration. 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 the investment in a subsidiary is not necessarily indicative of the amounts that would be realised in a current market.

Joint Ventures

A joint venture is a contractual arrangement with other parties to undertake an economic activity that is subject to joint control. The accounting for investments in a joint venture is on the equity method. The net book value of the investment in the joint venture is not necessarily indicative of the amounts that would be realised in a current market exchange. The reporting entity discontinues the use of this method from the date that it loses joint control over the joint venture and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at its fair value at the date that it ceases to be a joint venture.

Losses of a joint venture in excess of the Group's interest in the relevant entity are not recognised except to the extent that the Group has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the relevant joint venture.

In the Company's own financial statements, an investment in joint venture is stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture 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 joint venture is not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. If the acquirer has made a gain from a bargain purchase that gain is recognised in profit or loss. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

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

Non-Controlling Interests

The non-controlling 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. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At end of each 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.

Goodwill

Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

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

The amortisable amount of an intangible asset is allocated based on the percentage of revenue recognised on contracts.

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.

Financial Assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

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 end of the year date there were no financial assets classified in this category.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

Financial Liabilities

Initial recognition, measurement and derecognition:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities (Continued)

Subsequent measurement:

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

1. Financial liabilities at fair value through profit or loss: As at end of the reporting year 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.

Land Use Rights

Land use rights under operating leases are initially stated at cost and subsequently amortised on a straight-line basis over the remaining lease period of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and the disclosures of fair value are not made when the carrying amount of 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 differences 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 total of the fair value of the financial assets and other financial instruments: the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any commitments on borrowings 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 are based on unobservable inputs, that measurement is a Level 3 measurement.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 reporting year they occur.

Government Grants

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

Critical Judgements, Assumptions and Estimation Uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to 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 trade 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 receivables. 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 carrying amounts of trade receivables approximate the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Judgements, Assumptions and Estimation Uncertainties (Continued)

Contracts work-in-progress:
When the outcome of a construction contract can be estimated reliably, contract revenue and profits associated with the construction contract are recognised by reference to the stage of completion of the contract activity at the reporting year end date using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method. The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular project. Recognised revenues and profits are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. An expected loss on the construction contract is recognised as an expense immediately. The long-term work in progress projects have operating cycles longer than one year. The Company includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year.

Income tax expense:
The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made.

Net realisable value of inventories:
A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year of the Group and the Company were approximately $4,271,000 and $1,599,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Judgements, Assumptions and Estimation Uncertainties (Continued)

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 deferred tax liabilities at the end of the reporting year of the Group and the Company were approximately $317,000 and $81,000 respectively.

Useful lives of property, plant and equipment:
The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of the specific asset (or class of assets) affected by the assumption of the Group and the Company were approximately $7,952,000 and $3,143,000 respectively.

Estimated impairment of subsidiary or joint ventures:
Where a subsidiary or joint ventures is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is $7,290,000 at the end of the reporting year. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is $7,290,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Judgements, Assumptions and Estimation Uncertainties (Continued)

Estimated impairment of goodwill:
An assessment is made annually whether goodwill has suffered any impairment loss, based on the recoverable amounts of the cash generating units ("CGU"). The recoverable amounts of the CGUs was determined based on value in use calculations and these calculations require the use of estimates in relation to future cash flows and suitable discount rates as disclosed in Note 14. Actual outcomes could vary from these estimates.

Determination of functional currency:
The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations that mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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.

Richard Koh Chye Heng holds 1 golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s 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.

There are transactions and arrangements between the reporting entity and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For financial guarantees an amount is imputed and is recognised accordingly if significant where no charge is payable.

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	
	2011	**2010**
	$'000	**$'000**
Rental income	**3**	–
Rental expense	**(16)**	(18)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3.2 Other Related Parties:

There are transactions and arrangements between the reporting entity 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 financial guarantees an amount is imputed and is recognised accordingly if significant where no charge is payable.

Significant related party transactions:

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

	Director		Other related parties	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Royalty fees expense	–	–	354	28
Professional fee expense	16	12	–	–
Purchase of equipment	–	–	–	607
Purchases of goods	–	–	2,381	721

In 2011, the Company acquired a subsidiary (Duvalco B.V.) from directors of the Company at nil consideration (see Note 29).

3.3 Key Management Compensation:

	2011	2010
	$'000	$'000
Salaries and other short-term employee benefits	1,412	1,510

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3.3 Key Management Compensation: (Continued)

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

	2011 $'000	2010 $'000
Remuneration of directors of the Company	**585**	749
Fees to directors of the Company	**153**	36
Fees to a firm in which a director is a member	**16**	12

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.

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 from and other payables to related parties are as follows:

Group	**Director of subsidiary**	
	2011 $'000	**2010 $'000**
Other payables:		
Balance at beginning of the year	**(137)**	–
Amounts paid in and settlement of liabilities on behalf of the Company	**34**	(137)
Balance at end of the year (Note 26)	**(103)**	(137)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3.4 Other Receivables from and Other Payables to Related Parties: (Continued)

Company	Subsidiaries 2011 $'000	Subsidiaries 2010 $'000
Other receivables/(other payables):		
Balance at beginning of the year – net debit/(credit)	**2,114**	747
Amounts paid out and settlement of liabilities on behalf of another party	**5,475**	2,464
Amounts paid in and settlement of liabilities on behalf of the Company	**(2,644)**	(482)
Allowance for impairment – reversal/(loss)	**388**	(615)
Balance at end of the year – net debit	**5,333**	2,114
Presented in the statement of financial position as follows:		
Other receivables (Note 18)	**6,102**	2,200
Other payables (Note 26)	**(769)**	(86)
Balance at end of the year – net debit/(credit)	**5,333**	2,114

Related parties	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Other receivables:				
Balance at beginning of the year	**–**	–	**–**	–
Amounts paid out and settlement of liabilities on behalf of another party	**84**	–	**16**	–
Amounts paid in and settlement of liabilities on behalf of the Company	**(22)**	–	**–**	–
Balance at end of the year (Note 18)	**62**	–	**16**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENT

4A. INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES

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

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) Potable water, (2) Waste water, (3) NEWater, (4) Valves and (5) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and 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;
(d) Valves ("VA") – Valves for municipal and industrial applications; and
(e) Others – Pipelines relating to oil and gas industry.

A new Valves segment is presented which consists of operations mainly in Singapore, Netherlands and China. This segment was introduced during the year as it accounts for more than 10% of Group's revenue during the year. Comparative figures have been aligned to the new segment.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4B. PROFIT OR LOSS FROM CONTINUING OPERATIONS AND RECONCILIATIONS

Business segments

	PW		WW		NW		VA		Others		Unallocated		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment														
External sales	**27,799**	27,892	**253**	2,736	**1,018**	634	**10,545**	2,874	**7,918**	1,327	**–**	–	**47,533**	35,463
Results:–														
Segment result	**3,312**	5,638	**67**	797	**868**	244	**2,929**	603	**2,167**	433	**–**	–	**9,343**	7,715
Interest income									**7**	2	**47**	16	**54**	18
Finance costs									**(31)**	(8)	**(164)**	(127)	**(195)**	(135)
Amortisation of intangible asset									**(269)**	(153)	**–**	–	**(269)**	(153)
Depreciation of property, plant and equipment									**(76)**	(23)	**(536)**	(431)	**(612)**	(454)
Employee benefits expenses									**(329)**	(142)	**(5,407)**	(4,413)	**(5,736)**	(4,555)
Unallocated corporate expenses									**–**	–	**(4,121)**	(3,018)	**(4,121)**	(3,018)
Other credits/(charges)									**831**	–	**1,139**	764	**1,970**	764
Share of profits from equity-accounted joint ventures									**–**	–	**11**	–	**11**	–
Profit before tax													**445**	182
Income tax expense													**(163)**	(26)
Profit for the year													**282**	156

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4C. ASSETS, LIABILITIES AND RECONCILIATIONS

Business segments

	PW		WW		NW		VA		Others		Unallocated		Group	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Reportable segment assets														
Trade and other receivables	**7,832**	7,302	**82**	70	**87**	352	**4,434**	809	**4,702**	1,066	**961**	920	**18,098**	10,519
Property, plant and equipment									**516**	290	**7,436**	4,557	**7,952**	4,847
Cash and cash equivalents									**47**	570	**8,519**	6,141	**8,566**	6,711
Others									**–**	–	**12,627**	7,947	**12,627**	7,947
Total assets													**47,243**	30,024
Reportable segment liabilities														
Trade and other payables									**2,651**	2,701	**13,511**	4,490	**16,162**	7,191
Other financial liabilities									**779**	327	**5,017**	3,055	**5,796**	3,382
Others									**–**	–	**626**	874	**626**	874
Total liabilities													**22,584**	11,447
Capital expenditure									**298**	2,056	**3,426**	2,132	**3,724**	4,188

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4D. GEOGRAPHICAL INFORMATION

	Revenue	
	2011	**2010**
	$'000	**$'000**
Singapore	**13,638**	11,086
Hong Kong	**778**	2,137
Vietnam	**13,390**	10,295
China	**3,976**	2,666
Australia	**275**	–
Cambodia	**4,665**	–
Europe	**1,320**	–
Indonesia	**838**	529
Malaysia	**5,104**	2,955
Others	**3,549**	5,795
Subtotal for all foreign countries	**33,895**	24,377
Total	**47,533**	35,463

	Non-current assets	
	2011	**2010**
	$'000	**$'000**
Singapore	**3,261**	3,537
Hong Kong	**2**	1
China	**4,101**	1,096
Indonesia	**2**	10
Australia	**1,959**	–
Europe	**1,015**	–
Thailand	**43**	–
Malaysia	**2,847**	2,838
Subtotal for all foreign countries	**9,969**	3,945
Total	**13,230**	7,482

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 and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4E. INFORMATION ABOUT MAJOR CUSTOMERS

	2011
	$'000
Top 1 customer (in PW segment)	**6,724**
Top 2 customers (in PW, NW and VA segments)	**12,245**

	2010
	$'000
Top 1 customer (in PW and NW segments)	3,841
Top 2 customers (in PW segment)	5,661

5. REVENUE

	Group	
	2011	**2010**
	$'000	**$'000**
Sale of goods	**47,240**	34,994
Rental income	**117**	129
Commission income	**75**	–
Other income	**101**	340
	47,533	35,463

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

6. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2011	**2010**
	$'000	**$'000**
Royalties expense waived by a related party	**–**	75
Government grants income	**37**	274
Gain on disposal of assets held for sale	**–**	110
Gain on bargain purchases (Note 29)	**1,291**	–
Gain on disposal of plant and equipment	**214**	–
Reversal of allowance for impairment on trade receivables	**2**	40
Reversal of allowance for inventories	**15**	802
Refund of shortfall of profits guarantee by vendor (Note 29)	**820**	–
Foreign exchange adjustment (losses)/gains	**(409)**	(357)
Bad debts written off	**–**	(3)
Plant and equipment written off	**–**	(10)
Amortisation of intangible asset	**(269)**	(153)
Loss on disposal of plant and equipment	**–**	(14)
Net	**1,701**	764
Presented in profit or loss as:		
Other Credits	**2,379**	1,301
Other Charges	**(678)**	(537)
Net	**1,701**	764

7. MARKETING AND DISTRIBUTION COSTS, ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2011	**2010**
	$'000	**$'000**
Marketing and Distribution Costs		
Employee benefits expense (Note 8)	**2,333**	2,208
Administrative Expenses		
Employee benefits expense (Note 8)	**3,186**	2,077

NOTES TO THE FINANCIAL STATEMENTS

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8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2011	2010
	$'000	$'000
Employee benefits expense	**4,827**	3,801
Contributions to defined contribution plan	**533**	401
Other benefits	**376**	353
Total employee benefits expense	**5,736**	4,555

9. INCOME TAX EXPENSE

9A. COMPONENTS OF TAX EXPENSE RECOGNISED IN PROFIT OR LOSS INCLUDE:

	Group	
	2011	2010
	$'000	$'000
Current tax expense:		
Current tax expense	**125**	270
Over adjustments to current tax in respect of prior periods	**(255)**	(42)
Subtotal	**(130)**	228
Deferred tax expense/(income):		
Deferred tax expense/(income)	**293**	(202)
Subtotal	**293**	(202)
Total income tax expense	**163**	26

NOTES TO THE FINANCIAL STATEMENTS

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9. INCOME TAX EXPENSE (Continued)

9A. COMPONENTS OF TAX EXPENSE RECOGNISED IN PROFIT OR LOSS INCLUDE: (Continued)

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. 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% (2010: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2011	2010
	$'000	$'000
Profit Before Tax	**445**	182
Less: Share of profit from equity-accounted joint ventures	**(11)**	–
	434	182
Income tax expense at the above rate	**74**	31
Non-taxable items	**(358)**	–
Non-deductible items	**462**	127
Tax exemptions	**(4)**	(75)
Deferred tax asset unrecognised/(recognised)	**137**	29
Over adjustments to tax in respect of prior periods	**(255)**	(42)
Effect of different tax rates in different countries	**51**	4
Others minor items less than 3% each	**56**	(48)
Total income tax expense	**163**	26

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

The tax effect of major not deductible/(not liable to tax) items include the following:

	Group	
	2011	**2010**
	$'000	**$'000**
Gain on bargain purchases (Note 29)	**(219)**	–
Refund of shortfall of profits guarantee by vendor (Note 29)	**(139)**	–
Depreciation on non-qualifying plant and equipment	**82**	42
Amortisation of intangible asset	**46**	26
Professional fees	**28**	31
Foreign exchange differences	**70**	22
Other minor items	**236**	6
Net tax effect	**104**	127

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

9. INCOME TAX EXPENSE (Continued)

9B. MOVEMENTS IN DEFERRED TAX BALANCE:

	Group	
	2011	2010
	$'000	$'000
Deferred tax liabilities from acquisition of subsidiary – intangible asset	**66**	–
Deferred tax liabilities from acquisition of subsidiary	**–**	45
Excess of net book value of property, plant and equipment	**(284)**	33
Tax loss carryforwards	**185**	142
Wear and tear allowances carryforward	**39**	–
Tax loss carryforwards used in group relief	**(160)**	–
Provisions	**(2)**	11
Deferred tax assets unrecognised	**(137)**	(29)
Total deferred tax income recognised in profit or loss	**(293)**	202

9C. DEFERRED TAX BALANCE IN THE STATEMENT OF FINANCIAL POSITION:

	Group	
	2011	2010
	$'000	$'000
Deferred tax liabilities recognised in profit or loss:		
Deferred tax liabilities from acquisition of subsidiary – intangible asset	**(43)**	(109)
Deferred tax liabilities from acquisition of business – plant and equipment	**(149)**	–
Excess of net book value of property, plant and equipment	**(284)**	(149)
Tax loss carryforwards	**401**	216
Tax loss carryforwards used in group relief	**(206)**	(46)
Wear and tear allowances carryforward	**39**	–
Provisions	**57**	59
Deferred tax assets unrecognised	**(132)**	5
Net position recognised in profit or loss	**(317)**	(24)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	**(317)**	(190)
Deferred tax assets	**–**	166
Net balance	**(317)**	(24)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

9. INCOME TAX EXPENSE (Continued)

9C. DEFERRED TAX BALANCE IN THE STATEMENT OF FINANCIAL POSITION (Continued):

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.

9D. DEFERRED TAX BALANCE IN THE STATEMENT OF FINANCIAL POSITION:

	Company	
	2011	**2010**
	$'000	**$'000**
Deferred tax liabilities:		
Excess of net book value of plant and equipment	**(200)**	(148)
Total deferred tax liabilities	**(200)**	(148)
Deferred tax assets:		
Tax loss carryforwards	**23**	–
Excess of tax values over net book value of plant and equipment	**39**	–
Provisions	**57**	59
Total deferred tax assets	**119**	59
Net deferred tax liabilities	**(81)**	(89)
Deferred tax not recorded	**–**	8
	(81)	(81)

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

The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

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

NOTES TO THE FINANCIAL STATEMENTS

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10. EARNINGS PER SHARE

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

	2011	2010
	$'000	$'000
A. Numerators: earnings attributable to equity:		
Continuing operations:		
Total basic and diluted earnings attributable to equity holders	**171**	237
B. Denominators: weighted average number of equity shares	**'000**	**'000**
Basic	**185,881**	132,812[(a)]
Diluted	**196,627**	132,812

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

The dilutive effect derives from transactions such as warrants (See Note 22).

The basic earning per share ratio is based on the weighted average numbers of ordinary shares outstanding during each reporting year.

The diluted earnings per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary share issuable upon assumed exercise of warrants which would have a dilutive effect.

(a) The weighted average number of shares of 132,812,000 is computed after adjusting for the rights issue in year 2011.

NOTES TO THE FINANCIAL STATEMENTS

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11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2010	2,936	2,543	5,479
Additions	–	1,504	1,504
Acquisition of subsidiaries (Note 29)	154	421	575
Disposals	–	(65)	(65)
Foreign exchange adjustments	(5)	(59)	(64)
At 31 December 2010	3,085	4,344	7,429
Additions	119	708	827
Acquisition of subsidiaries (Note 29)	–	2,848	2,848
Disposals	–	(349)	(349)
Write off	–	(18)	(18)
Foreign exchange adjustments	(3)	71	68
At 31 December 2011	3,201	7,604	10,805
Accumulated depreciation:			
At 1 January 2010	329	1,593	1,922
Depreciation for the year	129	325	454
Acquisition of subsidiaries (Note 29)	2	277	279
Disposals	–	(51)	(51)
Foreign exchange adjustments	–	(22)	(22)
At 31 December 2010	460	2,122	2,582
Depreciation for the year	131	481	612
Disposals	–	(349)	(349)
Write off	–	(3)	(3)
Foreign exchange adjustments	–	11	11
At 31 December 2011	591	2,262	2,853
Net book value:			
At 1 January 2010	2,607	950	3,557
At 31 December 2010	2,625	2,222	4,847
At 31 December 2011	2,610	5,342	7,952

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The depreciation expense is charged as follows:

Group	Cost of Sales $'000	Marketing and Distribution Cost $'000	Administrative Expenses $'000	Total $'000
2011	**122**	**43**	**447**	**612**
2010	174	22	258	454

Certain items are under finance lease agreements (see Note 24C).

Certain leasehold properties at a carrying value of approximately $139,000 (2010: $145,000) are mortgaged.

Properties include buildings in the course of construction with a cost of approximately $119,000 (2010: $Nil).

Company	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2010	2,936	2,396	5,332
Additions	–	255	255
Disposals	–	(29)	(29)
Written off	–	(9)	(9)
At 31 December 2010	2,936	2,613	5,549
Additions	–	1,210	1,210
Disposals	–	(1,275)	(1,275)
Written off	–	(18)	(18)
At 31 December 2011	2,936	2,530	5,466
Accumulated depreciation:			
At 1 January 2010	329	1,485	1,814
Depreciation for the year	128	214	342
Disposals	–	(29)	(29)
Written off	–	(7)	(7)
At 31 December 2010	457	1,663	2,120
Depreciation for the year	128	217	345
Disposals	–	(139)	(139)
Written off	–	(3)	(3)
At 31 December 2011	585	1,738	2,323
Net book value:			
At 1 January 2010	2,607	911	3,518
At 31 December 2010	2,479	950	3,429
At 31 December 2011	2,351	792	3,143

Certain items are under finance lease agreements (see Note 24C).

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	**2010**
	$'000	**$'000**
Cost at the beginning of the year	**6,007**	2,909
Additions	**5,213**	3,098
Less allowance for impairment	**(425)**	(425)
Total at cost	**10,795**	5,582
Movement in allowance for impairment:		
Balance at beginning of the year	**425**	425
Balance at end of the year	**425**	425
Net book value of subsidiaries	**10,182**	3,303

	Company	
	2011	**2010**
	$'000	**$'000**
Analysis of above amount denominated in non-functional currency:		
Hong Kong Dollars	**586**	586
Chinese Renminbi	**4,830**	830
Australian Dollars	**1,002**	–
Indonesian Rupiah	**168**	168
Malaysia Ringgit	**2,809**	2,597

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES

The subsidiaries held by the Company and the Group are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in books of Group		Effective percentage of equity held by Group	
	2011	2010	2011	2010
	$'000	$'000	%	%
Duvalco Valves and Fittings Pte. Ltd. Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	**1,000**	1,000	**100**	100
Pan Asian Water Solutions (HK) Limited [1] Hong Kong Supply of piping systems and related accessories for use in water and wastewater infrastructure developments (RSM Nelson Wheeler)	**586**	586	**100**	100
PT. Pan Asian Water Solutions [1][2] Indonesia Exporting and importing of products of water treatment (RSM AAJ Associates)	**168**	168	**100**	100
PA Water Solutions (Shanghai) Limited [3] People's Republic of China General importers and exporters of pipes and valves (BDO Shu Lun Pan Certified Public Accountants)	**330**	330	**100**	100
PA Watertech Pte. Ltd. Singapore Process provider in water wastewater treatment and to carry on consulting and other water treatment service (RSM Chio Lim LLP)	**825**	825	**100**	100
PA Corporation Sdn Bhd [4] Malaysia General importers and exporters for pipes and valves	**211**	–	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in books of Group		Effective percentage of equity held by Group	
	2011 $'000	2010 $'000	2011 %	2010 %
Pan Asian Manufacturing (Tianjin) Co. Limited [1] People's Republic of China Manufacturing and supply of pipes, fittings, valves and other related accessories (RSM China Certified Public Accountants) Commitment to increase share capital by $11,138,000 (2010: $15,138,000) by July 2012	**4,500**	500	**100**	100
PVT Engineering Sdn Bhd [1] [5] Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application (RSM Robert Teo, Kuan & Co)	**2,598**	2,598	**60**	60
W.D. Moore Pty Ltd [6] Australia Manufacture and supply of windmill and solar-powered water pumping systems Acquired on 7 December 2011	**1,002**	–	**51**	–
PA Airwater Pte. Ltd. [9] Singapore Process provider in water and wastewater treatment as well as consultancy services and other water treatment services (RSM Chio Lim LLP)	**–**	–	**100**	–
W.D.Moore (Asia) Pte Ltd [9] Singapore General wholesale trade (including general importers and exporters) and the supply of piping system and related accessories (RSM Chio Lim LLP)	**–**	–	**100**	–

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Cost in books of Group 2011 $'000	Cost in books of Group 2010 $'000	Effective percentage of equity held by Group 2011 %	Effective percentage of equity held by Group 2010 %
Duvalco B.V. [7] Netherlands Manufacturing of valves and fittings Acquired on 4 January 2011	**–**	–	**100**	–
Total in the books of the Company	**11,220**	6,007		
Held by Duvalco Valves and Fittings Pte. Ltd.				
Duvalco Valves (Tianjin) Co. Limited [1] People's Republic of China Manufacturing of valves and fittings (RSM China Certified Public Accountants)	**1,487**	865	**60**	60
Held by Duvalco Valves (Tianjin) Co. Limited				
Shanghai Ji Xin Flow Control Co. Limited [1] People's Republic of China Supply of piping systems for use in water and wastewater infrastructure developments, and marine and industrial applications (RSM China Certified Public Accountants) Commitment for above to increase share capital by $59,000 by July 2012	**59**	59	**36**	36
Held by PVT Engineering Sdn Bhd				
GLS Tanks Sdn Bhd [1] [5] Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application (RSM Robert Teo, Kuan & Co)	**43**	43	**60**	60
Held by PA Water Solutions (Shanghai) Limited				
Pan Asian (Tianjin) Industrial and Trading Co. Ltd. [8] People's Republic of China Supply of valves and piping systems, and related accessories Commitment to inject capital by approximately $54,000 by 13 January 2012 (See Note 35)	**–**	–	**55**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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

(2) 1,000 shares in PT. Pan Asian Water Solutions are held in trust by a director.

(3) 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.

(4) Cost of investment in 2010 is less than $1,000. Not audited as it is immaterial. The unaudited management financial statements at 31 December 2011 and 2010 have been used for consolidation purposes.

(5) Subsidiary's financial year end is 30 June. For consolidation purposes, RSM Robert Teo, Kuan & Co was appointed as auditors for the reporting years ended 31 December 2011 and 31 December 2010.

(6) RSM Bird Cameron Partners, a member firm of RSM International, was engaged to perform agreed-upon procedures for the reporting year ended 31 December 2011 for consolidation purposes.

(7) Cost of investment is nil (see Notes 3.2 and 29). Not audited as there is no requirement to audit under local jurisdiction. For consolidation purposes, RSM Tempelman, a member firm of RSM International was engaged to perform agreed-upon procedures for the reporting year ended 31 December 2011.

(8) Not audited as immaterial. No capital injection has been made by the end of the reporting year (see Note 35).

(9) Cost of investment is $1 each.

As required by Rule 716 of the Catalist Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Movements in carrying value:				
At 1 January	–	–	–	–
Additions	49	–	49	–
Share of profit for the year	11	–	–	–
At 31 December	60	–	49	–
Carrying value:				
Unquoted equity share at cost	49	–	49	–
Share of post-acquisition profits	11	–	–	–
	60	–	49	–
Share of net book value of joint ventures	38	–	38	–
Analysis of above amount denominated in non-functional currency				
Thai Baht	43	–	43	–

The joint ventures held by the Company and the Group are listed below:

Name of Joint Ventures, Country of Incorporation, Place of Operations and Principal Activities and (Independent Auditors)	Percentage of equity held by the Group	
	2011	2010
	%	%
Franklin Hodge (Asia) Pte. Ltd. [(1)] Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	50	–
Duvalco Controls Co. Ltd. [(2)] Thailand Supply of piping systems, water tank system and related accessories	49	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

13. INVESTMENTS IN JOINT VENTURES (Continued)

(1) During the year, the Company entered into a joint venture agreement with Franklin Hodge Industrial Ltd ("Franklin") to incorporate a 50:50 owned joint venture company ("JVC1") in Singapore to carry on the business of initially selling and marketing the products, designed, developed produced and/or manufactured by Franklin in certain territories, with the intention of subsequently expanding the business to include manufacturing the product in Asia. Pursuant to the joint venture agreement, the JVC1, Franklin Hodge (Asia) Pte Ltd was incorporated on 7 June 2011 with a paid-up share capital of $10,000. The Company and Franklin subscribed 5,000 shares each at a consideration of $1 per share.

(2) During the year, the Company entered into a joint venture agreement with two other venturers to incorporate a 49:51 owned joint venture company ("JVC2") in Thailand to develop and expand the JVC2's main business of supply of piping and water tank system as well as related accessories and equipment in Thailand market. Pursuant to the joint venture agreement, Duvalco Controls Co. Ltd. was incorporated on 9 December 2010 with a paid-up share capital of Thai Baht 2,000,000. The Company and two other venturers subscribed 9,800 shares and 10,200 shares respectively at a consideration of Thai Baht 100 per share.

The unaudited financial statements at 31 December 2011 of the entity have been used for equity accounting purposes.

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

	Group	
	2011	**2010**
	$'000	**$'000**
Assets	**147**	–
Liabilities	**33**	–
Revenue	**116**	–
Profit for the year	**22**	–

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

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14. INTANGIBLE ASSETS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Goodwill (Note 14A)	**2,109**	2,109	**–**	–
Other intangible assets (Note 14B)	**170**	439	**–**	–
Total	**2,279**	2,548	**–**	–

14A. GOODWILL

	Group	
	2011	**2010**
	$'000	**$'000**
Cost:		
Balance at beginning of the year	**2,109**	–
Arising from acquisition of subsidiary (Note 29)	**–**	2,109
Balance at end of the year	**2,109**	2,109

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

	Group	
	2011	**2010**
	$'000	**$'000**
Name of subsidiary:		
PVT Engineering Sdn Bhd (in Others segment)	**2,109**	2,109

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amounts of cash-generating units have been determined based on its value in use. The value is regarded as the lowest level for fair value measurement as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

14. INTANGIBLE ASSETS (Continued)

14A. GOODWILL (Continued)

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management forecast using cash flow forecast based on confirmed and probable projects. The discount rate of 18.9% (2010: 33.4%) representing the subsidiary's weighted average cost of capital was used to discount the forecast cash flow.

If the probability rates of the expected new revenue from projects was 10% less favourable than management's estimates, an impairment of $359,000 would have been recognised.

No impairment charges were recognised because the carrying amount of all cash-generating units was lower than their recoverable amount.

14B. OTHER INTANGIBLE ASSETS

	Group	
	2011	**2010**
	$'000	**$'000**
Cost:		
At 1 January	**597**	–
Arising from acquisition of subsidiary	**–**	597
At 31 December	**597**	597
Accumulated Amortisation:		
At 1 January	**158**	–
Amortisation for the year charged under other charges	**269**	153
Foreign exchange adjustments	**–**	5
At 31 December	**427**	158
Net book value:		
At beginning of the year	**439**	–
At end of the year	**170**	439

Other intangible assets consist of order backlog.

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15. LAND USE RIGHTS

The land use rights are for a piece of land situated in the People's Republic of China. The land use rights expire in year 2060 and are not transferrable. The Group has entered into an agreement to purchase the land use rights for RMB13,810,492 ($2,852,000). The Group has made progress payments of RMB2,138,400 ($418,000) in year 2010. No amortisation has been charged for the year as amount is insignificant.

16. OTHER ASSETS, NON-CURRENT

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Club memberships at cost	**89**	89	**89**	89
Less allowance for impairment	**(2)**	(2)	**(2)**	(2)
	87	87	**87**	87
Movement in allowance:				
Balance at beginning of the year	**2**	2	**2**	2
Balance at end of the year	**2**	2	**2**	2

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

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

NOTES TO THE FINANCIAL STATEMENTS

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17. INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	**4,271**	4,132	**1,599**	2,815

Inventories are stated after allowance.

	Group		Company	
	2011	2010	2011	2010
Movements in allowance:				
Balance at beginning of the year	**355**	1,160	**316**	1,100
Reversed to profit or loss included in other credits	**(15)**	(802)	**(23)**	(784)
Foreign exchange adjustments	**(1)**	(3)	**–**	–
Balance at end of the year	**339**	355	**293**	316
Changes in inventories of finished goods (increase)	**(139)**	2,424		
Cost of inventories sold recognised in cost of sales	**35,771**	26,425		

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

Certain inventories are pledged as security for the bank facilities (see Note 24).

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	**17,377**	10,040	**10,350**	6,333
Less allowance for impairment	**(33)**	(34)	**(33)**	(33)
Subsidiaries (Note 3)	**–**	–	**1,045**	129
Less allowance for impairment	**–**	–	**–**	(82)
Related parties (Note 3)	**16**	–	**5**	–
Subtotal	**17,360**	10,006	**11,367**	6,347
Other receivables:				
Subsidiaries (Note 3) [(a)]	**–**	–	**6,329**	2,815
Less allowance for impairment	**–**	–	**(227)**	(615)
Related parties (Note 3)	**62**	–	**16**	–
Tax recoverable	**215**	291	**–**	–
Government grant	**–**	222	**–**	–
Outside parties	**461**	–	**–**	10
Subtotal	**738**	513	**6,118**	2,210
Total trade and other receivables	**18,098**	10,519	**17,485**	8,557

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Movements in above allowance:				
Balance at beginning of year	**34**	149	**730**	563
Reversed for trade receivables to profit or loss included in other credits	**(1)**	(40)	**–**	(40)
(Reversed)/Charge for related company accounts to profit or loss included in other (credits)/charges	**–**	–	**(470)**	219
Used/Bad debts written off	**–**	(75)	**–**	(12)
Balance at end of year	**33**	34	**260**	730

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

18. TRADE AND OTHER RECEIVABLES (Continued)

(a) The amounts include the following loans to the subsidiaries:

i) Loans totalling $510,000 (2010: Nil) are unsecured, with a tenure of 6 months and subject to automatic rollover, and carries an interest at 5% per annum payable upon repayment of the loans.

ii) A loan of $393,000 (AUD300,000) (2010: Nil) is secured by a charge over all of the present and future undertaking, assets and rights of the subsidiary, with a term of not more than 5 years, and carries an interest at 3% per annum payable monthly in arrears. The Company is entitled in its absolute discretion and at any time on or before the repayment date, convert the loan into equity of the subsidiary on the terms to be set out in the conversion notice served by the Company. The directors considered the fair value of the derivative instrument to be insignificant in view of the gain on bargain purchase (see Note 29).

19. OTHER ASSETS, CURRENT

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Advance payment for land use rights	**–**	418	**–**	–
Prepayments	**3,043**	465	**697**	226
Deposits to secure services	**35**	131	**14**	18
	3,078	1,014	**711**	244

Prepayments includes a deposit of $1.61 million (2010: Nil) paid to a contractor to construct plant and equipment (see Note 31).

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Not restricted in use	**7,566**	6,305	**3,446**	3,798
Cash restricted in use [(a)]	**1,000**	406	**–**	–
	8,566	6,711	**3,446**	3,798

(a) Being cash set aside for capital contribution to a foreign operation. In 2010, the amount was pledged for certain bank facilities (Note 24A).

The interest earning balances are not significant.

NOTES TO THE FINANCIAL STATEMENTS

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20. CASH AND CASH EQUIVALENTS (Continued)

20A. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS:

	Group	
	2011	**2010**
	$'000	**$'000**
Amount as shown above	**8,566**	6,711
Bank overdrafts (Note 24)	**(590)**	(288)
Cash restricted in use	**(1,000)**	(406)
Cash and cash equivalents for statement of cash flows purposes at end of the year	**6,976**	6,017

20B. NON-CASH TRANSACTIONS:

During the year there were acquisitions of plant and equipment with a total cost of approximately $368,000 (2010: $72,000) acquired by means of finance leases.

21. SHARE CAPITAL

	Number of shares issued '000	Share Capital $'000
<u>Group and Company</u>		
<u>Ordinary shares of no par value:</u>		
Balance at beginning of the year 1 January 2010	125,000	8,947
Balance at end of the year 31 December 2010	125,000	8,947
Issue of shares by virtue of rights at $0.07 each	62,500	4,375
Issue of shares by virtue of exercise of warrants at $0.08 each	125	10
Share issue expenses	–	(158)
Balance at end of the year 31 December 2011	187,625	13,174

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

Share Warrants – Share warrants outstanding at the end of the reporting year totalled 62,375,000 (2010: Nil). These may be converted into shares at the price of $0.08 for each ordinary share of no par value before the expiry date 11 January 2013 (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

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21. SHARE CAPITAL (Continued)

Capital Management:

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will 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 reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing products and services commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it 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.

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).

There are significant borrowings but the cash balance is greater than the borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

22. SHARE WARRANTS

On 3 January 2011, the Company made a renounceable non-underwritten rights issues of up to 62,500,000 new ordinary shares in the capital of the Company at an issue price of $0.07 for each rights share on the basis of one rights share for every two existing ordinary shares held by entitled shareholders and up to 62,500,000 free detachable warrants. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.08 for each new share, on the basis of one warrant for every one rights share subscribed. The warrants expire on 11 January 2013.

During the reporting year, an aggregate of 125,000 new ordinary shares were issued by virtue of the exercise of 125,000 warrants at the stated exercise price.

At the end of the reporting year, a total of 62,375,000 warrants were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER RESERVES

	Group	
	2011	**2010**
	$'000	**$'000**
Foreign currency translation reserve (Note 23A)	**(159)**	(561)
Statutory reserves (Note 23B)	**82**	69
Total at the end of the year	**(77)**	(492)

23A. FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2011	**2010**
	$'000	**$'000**
At beginning of the year	**(561)**	(344)
Exchange differences on translating foreign subsidiaries	**402**	(217)
At end of the year	**(159)**	(561)

The currency translation reserve accumulates all foreign exchange differences.

23B. STATUTORY RESERVES

	Group	
	2011	**2010**
	$'000	**$'000**
At beginning of the year	**69**	43
Transferred from retained earnings	**13**	26
At end of the year	**82**	69

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Non-current:				
Bank loan (Note 24B)	**200**	1,000	**200**	1,000
Finance leases (Note 24C)	**277**	223	**119**	188
Non-current, total	**477**	1,223	**319**	1,188
Current:				
Bank loans (Note 24B)	**3,937**	1,073	**2,800**	800
Trust receipts for purchase of inventories (Note 24A)	**692**	714	**692**	714
Finance leases (Note 24C)	**100**	84	**69**	79
Bank overdrafts (Note 24A)	**590**	288	**–**	–
Current, total	**5,319**	2,159	**3,561**	1,593
Total	**5,796**	3,382	**3,880**	2,781
The non-current portion is repayable as follows:				
Due within 2 to 5 years	**477**	1,223	**319**	1,188
Total non-current portion	**477**	1,223	**319**	1,188

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

	Group		Company	
	2011	2010	2011	2010
	%	%	%	%
Bank loans	**5.00**	5.00	**5.00**	5.00
Short term loan	**2.06 – 8.20**	–	**2.06 – 2.3**	–
Bank overdrafts	**8.50**	8.50	**–**	–
Trust receipts for purchase of inventories	**1.90 – 5.25**	1.90 – 2.86	**1.90 – 5.25**	1.90 – 2.86

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below 6 months.

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER FINANCIAL LIABILITIES (Continued)

24A. 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 overdrafts of a subsidiary are secured by:

2011

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

2010

a. Corporate guarantees from the Company and certain directors of a subsidiary; and
b. Fixed deposit pledged (Note 20)

24B. BANK LOANS

The Company bank loan is repayable by 48 monthly instalments from May 2009. A subsidiary's bank loan is repayable in May 2011.

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

2011:

1. A negative pledge over the assets of the Company
2. Corporate guarantee from the Company
3. Personal guarantee from certain directors of a subsidiary

2010:

1. A negative pledge over the assets of the Company
2. Corporate guarantee from related party of a subsidiary
3. Personal guarantee from certain directors of a subsidiary

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER FINANCIAL LIABILITIES (Continued)

24C. FINANCE LEASES

Group

2011	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	110	(10)	100
Due within 2 to 5 years	297	(20)	277
Total	407	(30)	377
2010			
Minimum lease payments payable:			
Due within one year	98	(14)	84
Due within 2 to 5 years	253	(30)	223
Total	351	(44)	307

Company

2011	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	79	(10)	69
Due within 2 to 5 years	139	(20)	119
Total	218	(30)	188
2010			
Minimum lease payments payable:			
Due within one year	90	(11)	79
Due within 2 to 5 years	218	(30)	188
Total	308	(41)	267

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $622,812 (2010: $490,540) and $288,028 (2010: $388,413) respectively at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

24. OTHER FINANCIAL LIABILITIES (Continued)

24C. FINANCE LEASES (Continued)

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 to 5 years. For the reporting year ended 31 December 2011, the rate of interest for finance leases ranges from 2.5% to 3.75% (2010: 2.2% to 8.54%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the Company. The carrying amount of the lease liabilities is not significantly different from the fair value.

25. OTHER LIABILITIES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Advance payment from customer	–	106	–	106

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**14,134**	6,819	**7,496**	3,726
Related parties (Note 3)	**618**	84	**387**	2
Subsidiaries (Note 3)	**–**	–	**897**	169
Subtotal	**14,752**	6,903	**8,780**	3,897
Other payables:				
Outside parties	**623**	–	**38**	–
Director of subsidiary (Note 3)	**103**	137	**–**	–
Subsidiaries (Note 3) [(a)]	**–**	–	**769**	86
Advances received from customers	**684**	151	**–**	34
Subtotal	**1,410**	288	**807**	120
Total trade and other payables	**16,162**	7,191	**9,587**	4,017

(a) Includes a loan from a subsidiary amounting to $500,000. The loan is unsecured, with a tenure of 6 months and subject to automatic rollover, and carries an interest at 5% per annum payable upon repayment of the loan.

NOTES TO THE FINANCIAL STATEMENTS

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27. DIVIDENDS ON EQUITY SHARES

On 14 May 2010, a final dividend of 1.00 cent (1-tier tax exempt) per ordinary share of the Company was paid to shareholders totalling $1,250,000.

No dividend has been proposed or paid in respect of the reporting year ended 31 December 2011.

28. FOREIGN EXCHANGE FORWARD CONTRACTS

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts. The fair value of the forward currency contracts is not adjusted as it is not significant.

Group

2010	**Principal $'000**	**Reference currency**	**Maturity**	**Fair value $'000**
Forward currency contract	1,202	Malaysian Ringgit	20 April 2011	40
Forward currency contract	270	Malaysian Ringgit	13 May 2011	17
Forward currency contract	13	Malaysian Ringgit	30 June 2011	– [a]
Forward currency contract	215	Malaysian Ringgit	30 June 2011	4
	1,700			61

(a) Amount is less than $1,000.

29. ACQUISITION OF SUBSIDIARIES

2011

The Group acquired 100% of the share capital of Duvalco B.V. (incorporated in Netherlands) on 4 January 2011 and 51% of the share capital of W.D.Moore Pty Ltd (incorporated in Australia) on 7 December 2011. The transactions were accounted by the purchase method of accounting.

The rationale for the Group's acquisition of Duvalco B.V. is to utilise Duvalco B.V. as a marketing base to spearhead its sales in Europe and the Middle East in order to take advantage of the established "Duvalco" brand in Europe.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

29. ACQUISITION OF SUBSIDIARIES (Continued)

2011 (Continued)

The Group acquired W.D.Moore Pty Ltd to further increase the Group's spectrum of product offerings. Pursuant to the shareholders' agreement, the Group was granted a call option by the vendor to acquire all or some of the shares in W.D.Moore Pty Ltd held by the vendor within a period of 90 months from 7 December 2011. The directors considered the fair value of the call option to be insignificant in view of the gain on bargain purchase (see below).

The business combinations during the reporting year are presented as follows:

	Fair value at acquisition			Carrying value at acquisition		
	Duvalco B.V. $'000	W.D.Moore Pty Ltd $'000	Total $'000	Duvalco B.V. $'000	W.D.Moore Pty Ltd $'000	Total $'000
Plant and equipment	884[(a)]	1,964	2,848	262	1,617	1,879
Inventories [(c)]	652	264	916	117	349	466
	1,536	2,228	3,764	379	1,966	2,345
Non-controlling interests	–	(1,092)	(1,092)			
Gain on bargain purchases	(1,157)	(134)	(1,291)			
Consideration	379[(b)]	1,002	1,381			

(a) The deferred tax liability of $149,000 in respect of the excess of the fair value over carrying amount is recognised in the statement of financial position as at 31 December 2011 (see Note 9C).

(b) Relates to amount paid to the vendor (a liquidator) appointed by the vendors for business injected into Duvalco B.V., following the acquisition by the Company from the directors (see Note 3.2).

(c) The inventories acquired in the business combinations that are on hand at the end of the reporting year amounted to $413,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

29. ACQUISITION OF SUBSIDIARIES (Continued)

2011 (Continued)

The non-controlling interests in the acquiree at the acquisition date was measured based on the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

The excess of $1,291,000 of the acquirer's interest in the net fair value of the identifiable assets over the cost of the business combinations has been recognised in profit or loss. It arose mainly from the purchase of business from a liquidator at bargain prices.

The contribution from the acquired subsidiaries for the period between the date of acquisition and the end of the reporting year were as follows:

	Group	
	From date of acquisition in 2011 $'000	For the reporting year 2011 $'000
Revenue	1,527	1,527
Loss before income tax	764	764

2010

The Group acquired 60% of PVT Engineering Sdn Bhd and subsidiary, GLS Tanks Sdn Bhd with effect from 1 July 2010. The subsidiaries were acquired to enable the company to scale the necessary learning curve and save on time and financial resources to build its sales network in Malaysia from scratch and to have immediate sales opportunities for its products by tapping on the investment's existing marketing network and increase product offerings to its existing customers by tapping on the products produced or marketed by the subsidiaries. The transaction was accounted by the purchase method of accounting.

NOTES TO THE FINANCIAL STATEMENTS

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29. ACQUISITION OF SUBSIDIARIES (Continued)

2010 (Continued)

The net assets acquired are as follows:

	Group	
	Fair value at acquisition $'000	Carrying amount at acquisition $'000
Cash and cash equivalents	434	434
Trade and other receivables	1,635	1,635
Property, plant and equipment	296	296
Inventories	152	152
Trade and other payables	(1,888)	(1,888)
Finance leases	(45)	(45)
Bank overdraft	(212)	(212)
Intangible assets recognised in purchase price allocation	597	–
Deferred tax liabilities	(154)	–
	815	372
Non-controlling interests	(327)	
Goodwill	2,109	
Consideration	2,597	
Satisfied by:		
Cash consideration	2,597	
Less: Cash taken over, net of bank overdraft	(222)	
Net cash outflow on acquisition	2,375	

NOTES TO THE FINANCIAL STATEMENTS

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29. ACQUISITION OF SUBSIDIARIES (Continued)

2010 (Continued)

The contributions from the acquired subsidiaries for the period between the date of acquisition and the end of the reporting year were as follows:

	Group	
	From date of acquisition in 2010 $'000	For the reporting year 2010 $'000
Revenue	2,948	4,326
Profit before income tax	162	255

The goodwill arising on the acquisition of PVT Engineering Sdn Bhd and subsidiary, GLS Tanks Sdn Bhd is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Pursuant to shares sale and purchase agreement entered into on 7 June 2010, the vendors warrant that the cumulative profit before tax of PVT Engineering Sdn Bhd ("PVT") for the financial years ending 30 June 2011 and 2012 shall be MYR5,000,000 (approximately S$2,049,000) ("profit target"). Based on the profit target, the Group agreed to pay the maximum purchase price of MYR6 million (approximately S$2,598,000) provided the cumulative profits before tax of PVT for the both financial years exceeds the profit target. However, if the profit target is not met, the actual purchase price shall be adjusted upon the determination of the actual average profit before tax of PVT according to the formula stipulated in the agreement. In any case, the minimum purchase price shall be MYR1.2 million (approximately S$492,000).

During the reporting year, the vendors of PVT had refunded RM2 million (approximately S$820,000) to the Group being the estimated shortfall in the profit before tax of PVT for the financial year ended 30 June 2011 from the profit target. This amount was taken up as other credit in accordance with FRS103 Business Combination as an event occurring after the acquisition date.

The directors have considered that the probability of PVT achieving the maximum profit target subsequent to the reporting year to be unlikely and consequently no contingent liability has been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

30A. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Cash and cash equivalents	**8,566**	6,711	**3,446**	3,798
Loans and receivables	**17,883**	10,228	**17,485**	8,557
At end of the year	**26,449**	16,939	**20,931**	12,355
Financial liabilities:				
Other financial liabilities at amortised cost	**5,796**	3,382	**3,880**	2,781
Trade and other payables at amortised cost	**15,478**	7,040	**9,587**	3,983
At end of the year	**21,274**	10,422	**13,467**	6,764

Further quantitative disclosures are included throughout these financial statements.

30B. 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 regards 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30B. FINANCIAL RISK MANAGEMENT (Continued)

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

30C. FAIR VALUE OF FINANCIAL INSTRUMENTS STATED AT AMORTISED COST IN THE STATEMENT OF FINANCIAL POSITION

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

30D. CREDIT RISK ON FINANCIAL ASSETS

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

As disclosed in Note 20, 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 (2010: 60 to 90 days). But some customers take a longer period to settle the amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30D. CREDIT RISK ON FINANCIAL ASSETS (Continued)

(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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
31-60 days	**1,504**	1,704	**1,493**	1,123
61-90 days	**39**	933	**642**	356
91-120 days	**207**	372	**517**	99
Over 120 days	**1,701**	352	**3,392**	736
Total	**3,451**	3,361	**6,044**	2,314

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
Over 120 days	**33**	34	**33**	33
Total	**33**	34	**33**	33

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

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Top 1 customer	**4,622**	1,569	**4,622**	1,569
Top 2 customers	**7,275**	2,884	**7,275**	2,884

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30E. LIQUIDITY RISK

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

Group	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2011:			
Other financial liabilities	**5,329**	**507**	**5,836**
Trade and other payables	**15,478**	**–**	**15,478**
At end of the year	**20,807**	**507**	**21,314**

Group	Less than 1 year $'000	1 – 5 years $'000	Total $'000
2010:			
Other financial liabilities	2,246	1,287	3,533
Trade and other payables	7,040	–	7,040
At end of the year	9,286	1,287	10,573

Company			
2011:			
Other financial liabilities	**3,571**	**349**	**3,920**
Trade and other payables	**9,587**	**–**	**9,587**
At end of the year	**13,158**	**349**	**13,507**
2010:			
Other financial liabilities	1,677	1,252	2,929
Trade and other payables	3,983	–	3,983
At end of the year	5,660	1,252	6,912

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30E. LIQUIDITY RISK (Continued)

Group Derivative financial liabilities:	**Less than 1 year** **$'000**	**Total** **$'000**
2010:		
Foreign currency forward contracts – gross settled	647	647
At end of the year	647	647

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

Company	**Less than 1 year** **$'000**	**Total** **$'000**
2011		
Financial guarantee contracts – in favour of certain subsidiaries (Note 3)	**2,734**	**2,734**
2010		
Financial guarantee contracts – in favour of certain subsidiaries (Note 3)	1,657	1,657

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2010: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30F. 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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Floating rate	**318**	3,120	**209**	2,050
At end of the year	**318**	3,120	**209**	2,050
Financial liabilities:				
Fixed rate	**377**	307	**188**	267
Floating rate	**5,419**	3,075	**3,692**	2,514
At end of the year	**5,796**	3,382	**3,880**	2,781

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30G. FOREIGN CURRENCY RISKS

Analysis of amounts denominated in non-functional currency:

Group		2011			2010	
Financial assets:	Cash $'000	Receivables $'000	Total $'000	Cash $'000	Receivables $'000	Total $'000
At 31 December:						
US Dollars	**2,611**	**5,045**	**7,656**	1,004	2,775	3,779
Japanese Yen	**56**	**–**	**56**	367	14	381
Pound Sterling	**151**	**684**	**835**	545	246	791
Hong Kong Dollar	**–**	**306**	**306**	–	–	–
Euro Dollars	**103**	**5**	**108**	84	520	604
Indonesia Rupiah	**–**	**–**	**–**	–	248	248
	2,921	**6,040**	**8,961**	2,000	3,803	5,803

		2011			2010	
Financial liabilities:	Borrowings $'000	Payables $'000	Total $'000	Borrowings $'000	Payables $'000	Total $'000
At 31 December:						
US Dollars	**212**	**5,838**	**6,050**	457	2,242	2,699
Japanese Yen	**–**	**–**	**–**	–	99	99
Pound Sterling	**297**	**535**	**832**	–	196	196
Hong Kong Dollar	**–**	**279**	**279**	–	–	–
Euro Dollars	**183**	**1,299**	**1,482**	–	361	361
India Rupee	**–**	**–**	**–**	–	121	121
	692	**7,951**	**8,643**	457	3,019	3,476

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30G. FOREIGN CURRENCY RISKS (Continued)

Company	2011			2010		
Financial assets:	Cash	Receivables	Total	Cash	Receivables	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December:						
US Dollars	2,106	4,976	7,082	480	2,948	3,428
Japanese Yen	56	–	56	367	14	381
Pound Sterling	147	657	804	540	228	768
Hong Kong Dollar	–	306	306	–	–	–
Euro Dollars	45	881	926	43	153	196
Australian dollar	–	393	393	–	–	–
Malaysia Ringgit	–	154	154	–	164	164
Indonesia Rupiah	–	56	56	–	297	297
	2,354	7,423	9,777	1,430	3,804	5,234

	2011			2010		
Financial liabilities:	Borrowings	Payables	Total	Borrowings	Payables	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December:						
US Dollars	212	6,207	6,419	457	2,109	2,566
Japanese Yen	297	–	297	–	99	99
Pound Sterling	–	469	469	–	174	174
Hong Kong Dollar	–	279	279	–	–	–
Euro Dollars	183	71	254	–	50	50
Malaysia Ringgit	–	18	18	–	–	–
	692	7,044	7,736	457	2,432	2,889

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30G. FOREIGN CURRENCY RISKS (Continued)

Sensitivity analysis:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'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 pre-tax profit of	**(161)**	(108)	**(66)**	(86)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Japanese Yen with all other variables held constant would have an adverse effect on pre-tax profit of	**(6)**	(28)	**(24)**	(28)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Sterling Pound with all other variables held constant would have an adverse effect on pre-tax profit of	**–**	(60)	**(34)**	(59)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Euro Dollar with all other variables held constant would have an adverse effect on pre-tax profit of	**(137)**	(24)	**(67)**	(15)
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Australian dollar with all other variables held constant would have an adverse effect on pre-tax profit of	**–**	–	**(39)**	–
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Malaysian Ringgit with all other variables held constant would have an adverse effect on pre-tax profit of	**–**	–	**(14)**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

30. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Continued)

30G. FOREIGN CURRENCY RISKS (Continued)

Sensitivity analysis: (Continued)

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

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

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

31. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2011	**2010**
	$'000	**$'000**
Contractual obligations to construct plant and equipment	**5,868**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

32. OPERATING LEASE PAYMENT COMMITMENTS

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	**410**	228	**228**	212
Later than one year and not later than 5 years	**1,326**	764	**805**	763
Later than five years	**2,701**	2,784	**2,701**	2,767
Rental expense for the year	**585**	704	**274**	368

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 1 to 23 years (2010: 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.

33. OPERATING LEASE INCOME COMMITMENTS

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	**41**	–	**41**	–
Later than one year but not later tan five years	**1**	–	**1**	–
Rental income for the year	**117**	129	**117**	129

Operating lease income represents rentals receivables by the Group and Company for certain of its owned leasehold properties. The lease rental terms are negotiated for term of 2 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

34. CONTINGENT LIABILITIES

	Company	
	2011	2010
	$'000	$'000
Bank guarantee in favour of subsidiaries (Note 3)	**3,283**	1,657

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

35. EVENTS SUBSEQUENT TO THE END OF THE REPORTING YEAR

(a) On 31 May 2011, PA Water Solutions (Shanghai) Limited, a wholly-owned subsidiary of the Company entered into a shareholders' agreement to set up a 55% owned subsidiary, namely Pan Asian (Tianjin) Industrial and Trading Co. Ltd in the People's Republic of China, with an authorised share capital of RMB500,000. The new subsidiary was incorporated on 14 October 2011 and did not commence operations by 31 December 2011. No capital injection has been made by respective investors by the end of the reporting year. On 13 January 2012, PA Water Solutions (Shanghai) Limited injected RMB275,000 for its 55% interest in the subsidiary.

(b) On 17 February 2012, the Company acquired 350,000 ordinary shares in the capital of DVC Valves (M) Sdn. Bhd. ("DVC"), representing 70% of the issued share capital of DVC from related parties for MYR1,200,000 (approximately $497,450). The fair value of the net identifiable assets of DVC at acquisition approximates MYR774,000 ($317,300) resulting in an estimated goodwill of MYR658,000 ($275,000).

(c) In December 2011, the acquisition of land use rights ("LUR") (see Note 15) was concluded when the state-owned property LUR transfer agreement was signed. Consequently the remaining purchase consideration of RMB11,269,845 became due and payable. This amount was fully settled by the Group on 21 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

36. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the reporting year ended 31 December 2011 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 Disclosures (Amendments to)
FRS 24	Related Party Disclosures (Revised)
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 32	Classification of Rights Issues (Amendments to)
FRS 34	Interim Financial Reporting (Amendments to)
FRS 103	Business Combinations (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to)
FRS 107	Financial Instruments: Disclosures (Amendments to) – Transfers of Financial Assets (*)
INT FRS 113	Customer Loyalty Programmes (Amendments to) (*)
INT FRS 114	Prepayments of a Minimum Funding Requirement (Revised) (*)
INT FRS 115	Agreements for the Construction of Real Estate (*)
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments (*)

(*) Not relevant to the entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

37. FUTURE CHANGES IN FINANCIAL REPORTING 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 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets (*)	1 January 2012
FRS 19	Employee Benefits	1 January 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 July 2011
FRS 27	Separate Financial Statements	1 January 2013
FRS 28	Investments in Associates and Joint Ventures	1 January 2013
FRS 107	Financial Instruments: Disclosures (Amendments to) – Transfers of Financial Assets (*)	1 July 2011
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2012

Issued and Fully Paid-up Share Capital	$13,173,657.04
Number of shares	187,627,000
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	15	1.17	4,169	0.00
1,000 – 10,000	899	70.13	2,839,000	1.51
10,001 – 1,000,000	360	28.08	27,365,224	14.59
1,000,001 AND ABOVE	8	0.62	157,418,607	83.90
TOTAL	1,282	100.00	187,627,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	XU JIA ZU HOLDINGS PTE LTD	141,700,000	75.52
2	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	4,244,000	2.26
3	TANN KAH HUAT ERIC	3,383,000	1.80
4	DBS NOMINEES PTE LTD	2,300,107	1.23
5	GOH BOON KOK	2,150,000	1.15
6	TAN KIM TEE	1,395,000	0.74
7	CITIBANK NOMINEES SINGAPORE PTE LTD	1,208,500	0.64
8	KOH AH LECK	1,038,000	0.55
9	TAN THIAM CHYE	1,000,000	0.53
10	HSBC (SINGAPORE) NOMINEES PTE LTD	935,000	0.50
11	ONG HOCK HAI	903,000	0.48
12	YAP CHING SEOW	615,000	0.33
13	LAU CHAN @ LUA CHAN	600,000	0.32
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	595,000	0.32
15	OCBC SECURITIES PRIVATE LTD	576,048	0.31
16	TAN THIAN TIN	576,000	0.31
17	LEE CHEE SENG	546,000	0.29
18	LEE CHEE KWAN	513,000	0.27
19	KOH CHOON LEANG	511,000	0.27
20	CHAN HSIANG SUI	500,000	0.27
	TOTAL	165,288,655	88.09

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2012

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as at 21 March 2012 as shown in the Register of Substantial Shareholders are:

	Number of Shares			
Name	**Direct Interest**	**Deemed Interest**	**Total**	**%**
Xu Jia Zu Holdings Pte Ltd	141,700,000	–	141,700,000	75.52
Richard Koh Chye Heng[1]	–	141,700,000	141,700,000	75.52
Koh Eddie[2]	–	141,700,000	141,700,000	75.52
Indriati Khoe[3]	–	141,700,000	141,700,000	75.52

(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.

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

STATISTICS OF WARRANTHOLDINGS

AS AT 21 MARCH 2012

DISTRIBUTION OF WARRANTHOLDINGS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 – 999	47	8.70	38,195	0.06
1,000 – 10,000	351	65.00	1,373,471	2.20
10,001 – 1,000,000	138	25.56	9,448,094	15.15
1,000,001 AND ABOVE	4	0.74	51,513,240	82.59
TOTAL	540	100.00	62,373,000	100.00

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of warrants	%
1	XU JIA ZU HOLDINGS PTE LTD	46,875,000	75.15
2	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,500,000	4.01
3	GOH BOON KOK	1,075,000	1.72
4	PHILLIP SECURITIES PTE LTD	1,063,240	1.70
5	DBS NOMINEES PTE LTD	663,553	1.06
6	TAN JUI YAK	593,000	0.95
7	LIM YAN LING	470,000	0.75
8	TAN KIM TEE	445,000	0.71
9	CHIN HOI @ CHIN PEK HOI	443,000	0.71
10	CIMB SECURITIES (SINGAPORE) PTE LTD	405,000	0.65
11	HENG THENG LIAN	350,162	0.56
12	ONG HOCK HAI	301,000	0.48
13	OCBC SECURITIES PRIVATE LTD	232,000	0.37
14	LAU CHAN @ LUA CHAN	200,000	0.32
15	NG SIEW AI	200,000	0.32
16	CHIA THIAN HEE HILARY	192,000	0.31
17	UNITED OVERSEAS BANK NOMINEES PTE LTD	184,000	0.29
18	KOH HOO KWEE	174,000	0.28
19	LEE CHEE KWAN	171,000	0.27
20	LOW CHIN YEE	126,000	0.20
	TOTAL	56,662,955	90.81

APPENDIX

13 April 2012

This Appendix is circulated to the Shareholders of Pan Asian Holdings Limited (the "Company") together with the Company's annual report for the year ended 31 December 2011 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 30 April 2012 at 2.30 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 HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 197902790N)

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

APPENDIX

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

Companies within our Group

"Company"	:	Pan Asian Holdings Limited (fka Pan Asian Water Solutions Limited)
"Group" or "PA Group"	:	Pan Asian Holdings Limited and its subsidiaries
"PA HK"	:	Pan Asian Water Solutions (HK) Limited
"Duvalco Valves & Fittings"	:	Duvalco Valves & Fittings 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

APPENDIX

"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) 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 discretionary object; or any corporation in which he and his immediate 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

APPENDIX

"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.

APPENDIX

1. INTRODUCTION

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

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

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

Pursuant to Chapter 9 of the Listing Manual, the general mandate was renewed at the Annual General Meeting held on 29 April 2011. Such renewal was expressed to take effect until the date of the forthcoming Annual General Meeting to be held on 30 April 2012. Accordingly, the Directors propose that the Shareholders' Mandate to be renewed at the Annual General Meeting to be held on 30 April 2012, 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.

APPENDIX

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.

APPENDIX

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.

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(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.

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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.

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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.

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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.

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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]			141,700,000	75.5
Richard Koh Chye Heng [2]			141,700,000	75.5
Indriati Khoe [3]			141,700,000	75.5
Xu Jia Zu Holdings Pte. Ltd.	141,700,000	75.5		

1. Mr Koh Eddie holds 50% interest in Xu Jia Zu Holdings Pte Ltd.
2. Mr Richard Koh Chye Heng holds 50% and 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's 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.
3. Mdm Indriati Khoe is deemed to have an interest held by her spouse Mr. Koh Eddie in Xu Jia Zu Holdings Pte Ltd.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee confirms that:

(a) the methods or procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the AGM held on 29 April 2011; 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.

APPENDIX

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 Monday, 30 April 2012 at 2.30 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the financial year ended 31 December 2011 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Richard Koh Chye Heng retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 2)**

3. To consider and if thought fit, to pass the following Resolution:- **(Resolution 3)**

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Goh Boon Kok be and is hereby re-appointed as a Director of the Company to hold office until the next Annual general Meeting."

   Mr Goh Boon Kok will, upon re-appointment as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the listing manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist ("the Catalist Rules").

4. To approve Directors' fees of S$35,000.00 for the financial year ended 31 December 2011 (2010: S$35,000.00). **(Resolution 4)**

5. To approve Directors' fees of S$35,000.00 for the financial year ending 31 December 2012 to be paid half yearly in arrears (2011: S$35,000.00). **(Resolution 5)**

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

SPECIAL BUSINESS

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

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

   (a) That pursuant to Section 161 of the Companies Act, Cap. 50 and the Catalist Rules, authority be and is hereby given to the Directors of the Company 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;

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided always that

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

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

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

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

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

(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)

NOTICE OF ANNUAL GENERAL MEETING

8. Renewal of Shareholders' Mandate for Interested Person Transactions (Resolution 8)

That approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules for the Company, its subsidiaries and target associated companies (if any) or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix to the Annual Report to shareholders dated 13 April 2012 (the "Appendix") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures for Interested Person Transactions as set out in the Appendix and that such approval (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate.

(See Explanatory Note 2)

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
13 April 2012

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The Ordinary Resolution proposed in item no. 7, 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. 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 Catalist Rules.

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.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte Ltd (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the SGX-ST. Canaccord Genuity Singapore Pte Ltd has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Karen Soh, Deputy Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte Ltd at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Pan Asian Holdings Limited, the Annual Report 2011 is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM

*I/We ______________________________ (Name)

of ______________________________ (Address)

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

	Name	Address	NRIC/ Passport No.	Proportion of shareholdings (%)
(a)				
and/or (delete as appropriate)				
(b)				

as my/our proxy/proxies to vote for me/us on my/our behalf 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 Monday, 30 April 2012 at 2.30 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 2011		
2.	Re-election of Mr Richard Koh Chye Heng as Director		
3.	Re-appointment of Mr Goh Boon Kok as Director		
4.	Approval of Directors' Fees for the year ended 31 December 2011		
5.	Approval of Directors' Fees for the year ending 31 December 2012		
6.	Re-appointment of RSM Chio Lim LLP as Auditors		
7.	Approval for Directors to issue shares and/or convertible securities		
8.	Renewal of shareholders' mandate for transactions with interested persons of the Company		

Dated this __________ day of ______________ 2012

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 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 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 authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.

3. The instrument appointing a proxy [together with the power of attorney (if any) under which it is signed, or a certified copy thereof], must be deposited at the Company's registered office at 2 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.

CORPORATE INFORMATION

Board of Directors
Richard Koh Chye Heng
(Chairman)
Koh Eddie
(Managing Director cum Chief Executive Officer)
Wu Yu Liang
(Independent Director)
Goh Boon Kok
(Independent Director)
Indriati Khoe
(Non-Executive Director)

Nominating Committee
Wu Yu Liang
(Chairman)
Goh Boon Kok
Indriati Khoe

Remuneration Committee
Wu Yu Liang
(Chairman)
Goh Boon Kok
Indriati Khoe

Audit Committee
Goh Boon Kok
(Chairman)
Wu Yu Liang
Indriati Khoe

Company 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.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors
RSM Chio Lim LLP
Certified Public Accountants
(Member, RSM International)
(Registered with the Accounting and Corporate Regulatory Authority and Institute of Certified Public Accountants of Singapore)
8 Wilkie Road,
#04-08 Wilkie Edge
Singapore 228095

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

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

RBS
The Royal Bank of Scotland
ABN Amro Bank N.V.
10 Collyer Quay
#20-00 Ocean
Financial Centre
Singapore 049315

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

Pan Asian Holdings Limited
(Company Registration No.: 197902790N)

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Singapore 627966
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Website : www.pawater.com.sg