



Pan Asian Holdings Limited

百益胜控股有限公司



ACHIEVING NEW HEIGHTS

ANNUAL REPORT 2012



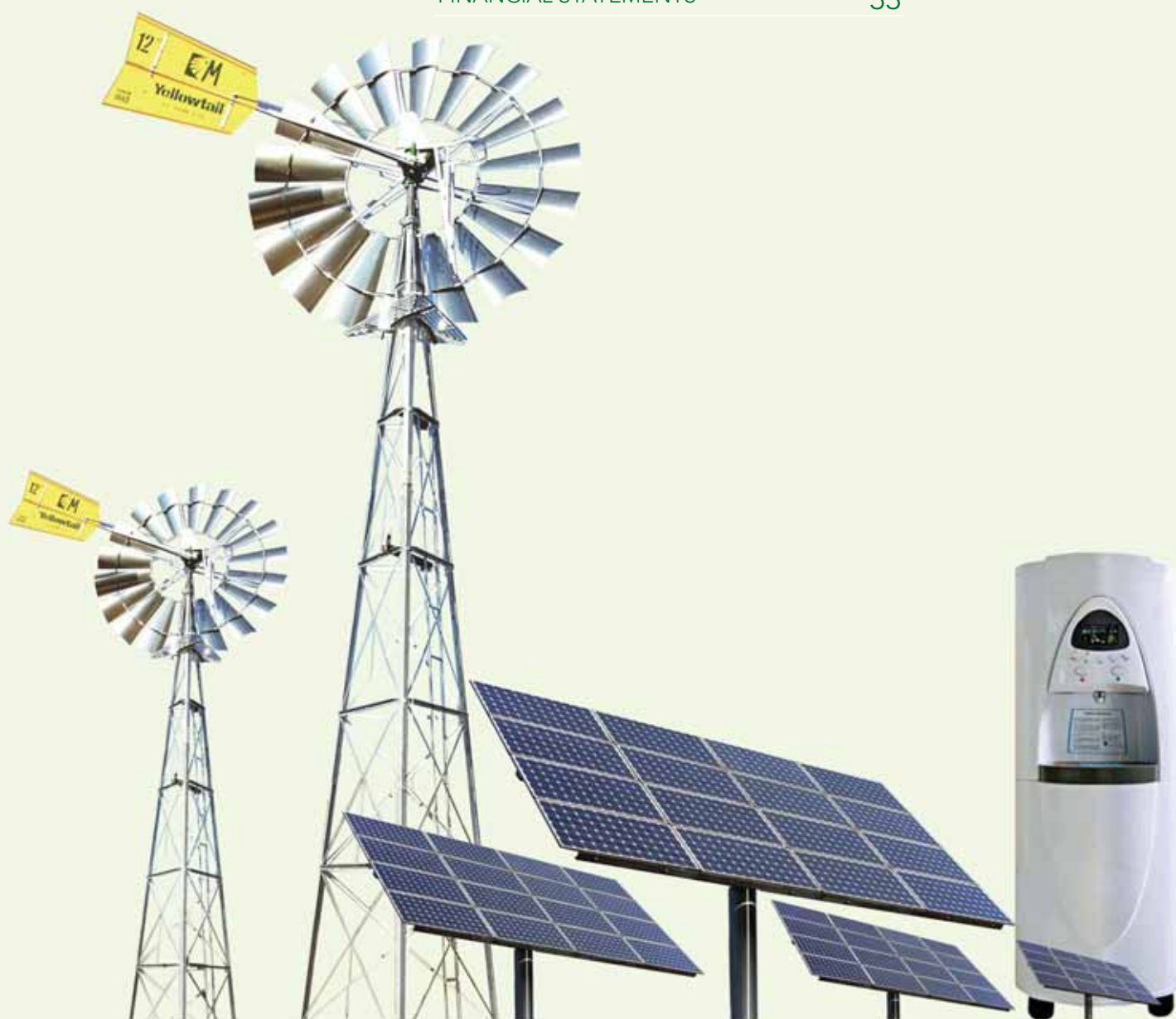
This annual report has been prepared by the Company and reviewed by the Company's sponsor, CNP Compliance Pte. Ltd. ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

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

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MISSION

TO EXCEL IN THE INDUSTRIES WHERE INNOVATIONS, DYNAMISM AND RELIABLE SOLUTIONS MATTER; BY WORKING PROACTIVELY AND LEVERAGING ON OUR CLOSE PARTNERSHIP WITH OUR ESTEEMED PRINCIPALS AND THEIR BRANDS SO AS TO DELIVER COST-EFFECTIVE AND HIGH QUALITY PRODUCTS AND SERVICES TO OUR CLIENTS.

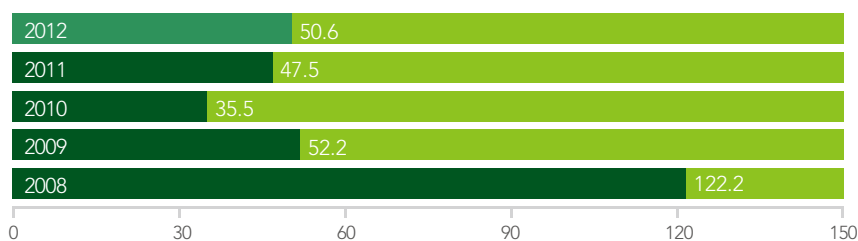
VISION

ENABLING A WORLD OF TRUSTED SOLUTIONS

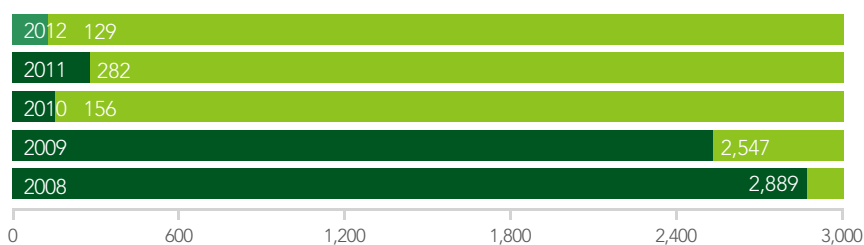


FINANCIAL HIGHLIGHTS

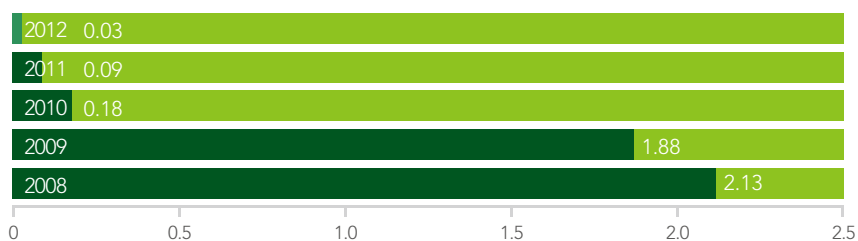
TURNOVER (\$' Million)



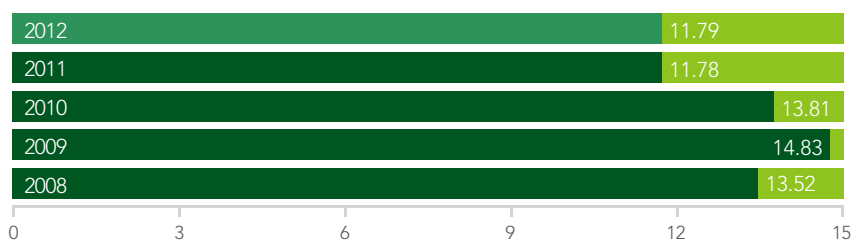
PROFIT, NET OF TAX (\$'000)



EARNINGS PER SHARE (CENT)



NET ASSETS PER SHARE (CENT)



CORPORATE PROFILE



Listed in 2004 on the Singapore Exchange Dealing and Automated Quotation System (SGX-SESDAQ), the company PAN ASIAN HOLDINGS LIMITED has grown to become a leading supplier in the delivery of high quality piping system solutions for water infrastructure projects in the Asia Pacific region. It had a humble beginning in 1979, when founder Richard Koh started the enterprise as a stockist and dealing in parts such as piping and valves for the water, oil and gas sectors.

Besides manufacturing its own brands, the Company is today, exclusive agents for more than 20 well-known international brands of piping and related products from the US, Japan, UK and Europe. In recent years, Pan Asian Holdings has diversified into the marine, oil and gas, as well as renewable energy sectors due to an increasing trend of growth in these industries.

In its effort to grow within the Asian region, the Company had also made several new acquisitions and formed joint-venture companies in China, Malaysia, Indonesia, Thailand and Australia to establish a strong network of sales operations in the region. In the pipeline is the on-going construction and expected completion of the Company's main plant in the Tianjin Eco-city by year 2013. The objective of this initiative is to develop a major manufacturing and logistic facility to serve its evolving global needs and markets.

Over the years, the Company has grown from strength to strength with the support of a large base of satisfied customers spanning across Asia, Europe, Middle East and other parts of the world. An overall staff strength of over 250 employees under a team of experienced proactive and entrepreneurial managers, the Company is poised for further success in many years to come and has always aimed to become the preferred partner for local utility authorities and private contractors.



Turning Challenges into Opportunities Making Every Opportunity Count

RICHARD KOH CHYE HENG
EXECUTIVE CHAIRMAN
Pan Asian Holdings Limited

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Financial year 2012 (FY2012) was an exciting year for the Group. Despite the difficult operating environment arising from the global economic uncertainties, we are heartened to record continued increase in sales and a stable level of profitability.

During the year under review, we witnessed higher sales in Malaysia, Hong Kong, Australia and Europe, with most of our product segments registering sales improvement. Our revenue in FY2012 jumped 6.4% to \$50.6 million, while gross profit rose 28.4% to \$11.5 million as we continually shifted our sales mix towards higher margin product segments.

The Group achieved several corporate milestones during the year that further strengthened our regional presence and reputation in the water purification and wastewater treatment industry.

In February 2012, we successfully acquired DVC Valves (M) Sdn. Bhd. (DVC), which specialises in the trading of valves. This was a strategic move for us to tap on DVC's extensive experience in specialised valves to support the Group's engineering projects in Malaysia, under our subsidiary PVT Engineering Sdn Bhd (PVT Engineering).

Our acquisition of W.D. Moore Pty Ltd, a 150 year-old manufacturer of windmills and solar water pumps, in December 2011, formed a solid platform for us to build a presence in Australia - a totally new market for the Group. Not only would the acquisition provide us with a ready network of customers and cross-selling opportunities, it would also allow us to sharpen our capabilities in applying eco technology to our water treatment processes. We believe there is a huge growth potential for the application of eco technology, especially in countries such as Thailand, Philippines, Vietnam, Myanmar and Indonesia where electricity and water are scarce. As a pilot study, we recently installed a windmill and water-pump in a village in Cambodia to transfer water from a river to the villagers for their irrigation needs.

CHAIRMAN'S STATEMENT

Extending our footprint in Malaysia, we secured two contracts in April 2012 from the Department of Irrigation and Drainage to supply, deliver, install and commission the mechanical and electrical works for two rivers in Sungei Gombak 2 and Puah Pond in Kuala Lumpur. The projects, with a combined value of RM12.0 million, are targeted for completion by the end of FY2013. In addition, DVC and PVT Engineering secured a total of RM18 million worth of contracts in this current year to date.

To further deepen our business capabilities, we established a joint venture with Germany-based S-Two GmbH & Co., KG to manufacture and market automation control systems for use in the marine and offshore sectors. The JV formed the first step for us to tap these two growing industries in the region to strengthen our revenue stream.

GROWTH STRATEGY AND BUSINESS OUTLOOK

Looking ahead, while we continue to explore different ways to augment our business operations, we have to be mindful of our operating environment which is expected to remain challenging and intensely competitive.

Our strategic focus in FY2013 is to protect our margins by focusing on higher value product segments. Resources will be channelled into promoting our own Duvalco brand of valves in our key markets. This product range has been generating a steady stream of income and we intend to ride on this momentum to further deepen its sales coverage.

To reduce entry risks, we will continue to work with local partners and tap on their networks to grow our overseas market shares prudently.

In terms of product offerings, we will strive to widen our range of products to cater to the unique needs of our different customer segments. For example, we recently set up a new subsidiary, PA Tech (Asia) Pte. Ltd., to focus on the sale of marine equipment and accessories. Good headway has been made in our research and development (R&D) efforts to manufacture our own brand of air-to-water dispenser. Through a partnership with Ngee Ann Polytechnic, the outcome of this product R&D will be a blueprint to manufacture a made-in-Singapore eco-dispenser.

We will also explore opportunities to relocate some of our manufacturing capabilities to Asia to derive cost savings. Our Tianjin Eco-City project is expected to resume construction in FY2013. When completed, the plant will be used as a base to facilitate our China operations and product distribution.

In conclusion, the Group will adopt a disciplined and cautious approach in growing our business while keeping a close watch on cost and capital management. We have strengthened our management team with a few experienced hires during the year. The team looks forward to leading the Group in an exciting growth journey.

WORDS OF APPRECIATION

On behalf of the Board of Directors, I would like to thank our management and staff for their commitment and hard work. My sincere appreciation also goes out to all our business partners and valued shareholders for their continued support.

Richard Koh Chye Heng
Executive Chairman

CHAIRMAN'S STATEMENT



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 managing director in 2004 to pursue other business interests. From 2004 to March 2009, Mr Koh developed and managed a valve manufacturing business in the PRC, 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.

BOARD OF DIRECTORS



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 27 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

DONALD EE KENG BOON

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.

KELLY KOH MEE LIN

GROUP BUSINESS DEVELOPMENT DIRECTOR (NON – BOARD MEMBER)

Ms Koh was appointed to the newly-created position of Market Development Director in early 2013, to assist the company in its pursuit of engaging in new emerging markets. Besides exploring new territories and penetrating with suitable product-mix into such challenging areas, she is also responsible for the development of the company's Renewable Energy division which augurs well for the future.

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

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.



MANAGEMENT TEAM

DOUGLAS CHEE BENG CHOON

GENERAL MANAGER OF PROJECT SALES

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

RAYMOND 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 30 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.

ERIC TEO YEW LEONG

GENERAL MANAGER (VIETNAM)

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

HARVEY KWAN KOON HO

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

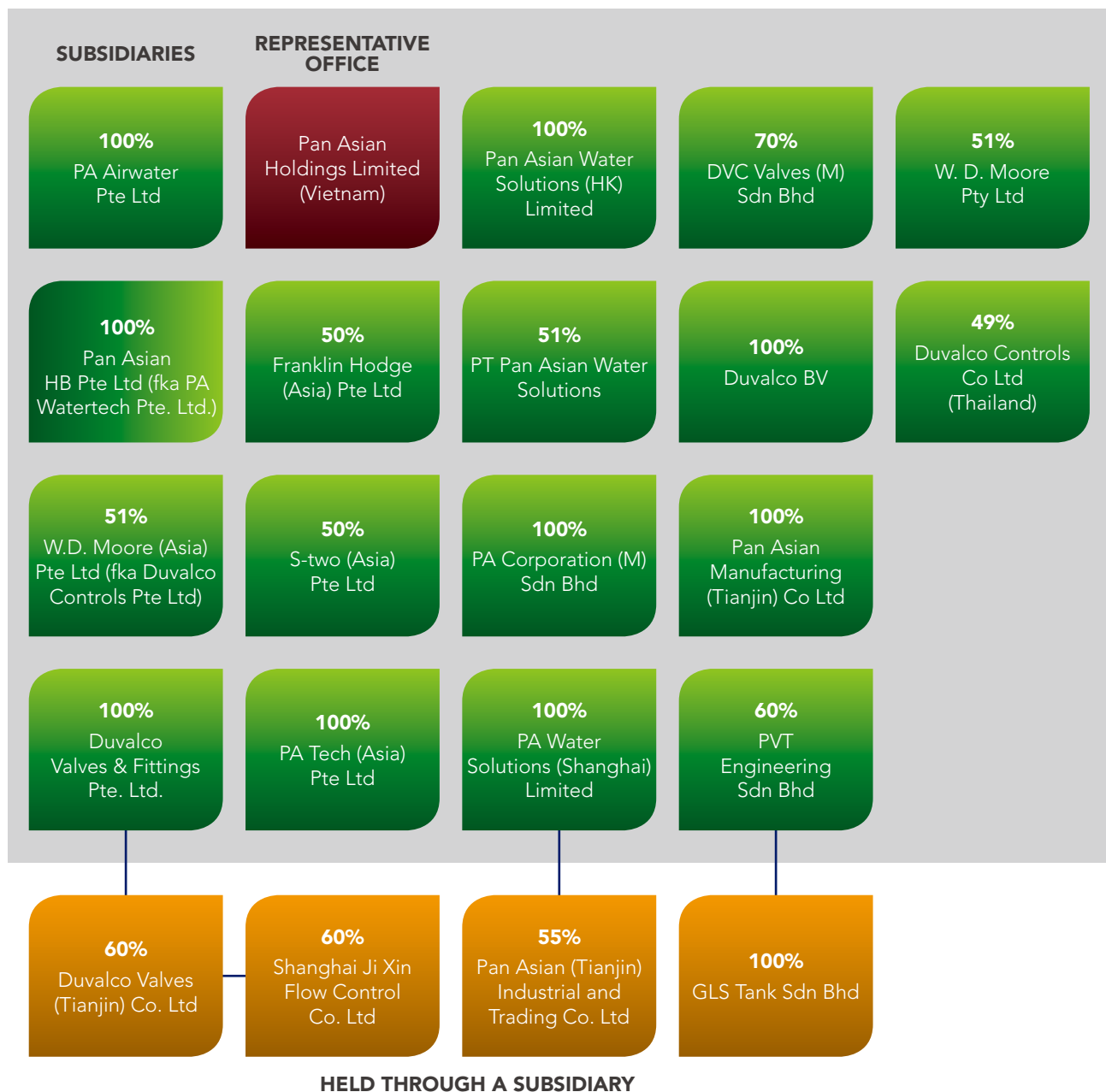
Mr. Kwan is responsible for the subsidiary's overall sales, marketing and business developments, primarily in the marketing and promotion of our products and services to Hong Kong W.S.D., D.S.D., consultants and contractors. Mr. Kwan's responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering. Mr. Kwan holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 15 years of experience in the industry.



GROUP STRUCTURE



Pan Asian Holdings Limited



GROUP STRUCTURE

HEAD OFFICE

PAN ASIAN HOLDINGS LIMITED

No. 2, Tractor Road
Singapore 627966
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Fax : 65-6268 3679
E-mail : enquiry@pawater.com.sg

SUBSIDIARIES

DUVALCO VALVES & FITTINGS PTE LTD

No. 2, Tractor Road
Singapore 627966
Tel : 65-6265 8128
Fax : 65-6265 8028
E-mail : sales_enquiries@duvalco.net

PAN ASIAN HB PTE LTD (FKA PA WATERTECH PTE. LTD.)

No. 2, Tractor Road
Singapore 627966
Tel : 65-6268 7227
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E-mail : enquiry@hb.panasian.com.sg

PA AIRWATER PTE LTD

PA TECH (ASIA) PTE LTD

W.D. MOORE (ASIA) PTE LTD (FKA DUVALCO CONTROLS PTE LTD)

No. 2, Tractor Road
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Fax : 65-6268 9679
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FRANKLIN HODGE (ASIA) PTE LTD

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E-mail : enquiry@franklinhodge.com.sg

S-TWO (ASIA) PTE LTD

No. 2, Tractor Road
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Tel : 65-6268 7227
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E-mail : enquiry@s-two.com.sg

PAN ASIAN WATER SOLUTIONS (HK) LIMITED

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E-mail : enquiry@hk.panasian.com.sg

PT PAN ASIAN WATER SOLUTIONS

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Tel : 62-21 345 0049
Fax : 62-21 345 0051
E-mail : enquiry@id.panasian.com.sg

PVT ENGINEERING SDN BHD

D-5-58 Block Dahlia, 10 Boulevard
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Selangor Darul Ehsan, Malaysia
Tel : 60-3 7806 1415
Fax : 60-3 7725 7795
E-mail : enquiry@pvte.com.my

GLS TANK SDN BHD⁽⁴⁾

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
E-mail : enquiry@glstanks.com.my

DVC VALVES (M) SDN BHD

D-3A-47, Block Dahlia, 10 Boulevard
Lebuhraya SPRINT, PJU 6A
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 60-3 7722 1619
Fax : 60 -3 7722 1029
E-mail : enquiry@my.panasian.com.sg

PA CORPORATION (M) SDN BHD

D-5-58 Block Dahlia, 10 Boulevard
Lebuhraya SPRINT, PJU 6A
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Selangor Darul Ehsan, Malaysia
Tel : 60-3 7806 1415
Fax : 60-3 7725 7795
E-mail : enquiry@pawater.com.sg

PA WATER SOLUTIONS (SHANGHAI) LIMITED

PAN ASIAN MANUFACTURING (TIANJIN) CO LTD

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@sh.panasian.com.sg

DUVALCO BV

Planckstraat 61, 3316 GS Dordrecht
Netherlands
Tel : 31-(0) 78 6 54 52 50
Fax : 31-(0) 78 6 54 52 60
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

DUVALCO CONTROLS CO LTD (THAILAND)

Phayathai Plaza Building, 9th Floor
No. 128/110, Phayathai Road
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Khet Ratchathewi, Bangkok 10400
Tel : 66-2612 1001
Fax : 66-2612 1003
E-mail : enquiry@pawater.com.sg

HELD THROUGH A SUBSIDIARY

DUVALCO VALVES (TIANJIN) CO. LTD⁽¹⁾

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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@sh.panasian.com.sg

SHANGHAI JI XIN FLOW CONTROL CO. LTD⁽²⁾

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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@sh.panasian.com.sg

PAN ASIAN (TIANJIN) INDUSTRIAL AND TRADING CO. LTD⁽³⁾

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Fax : 86-21 6295 1308
E-mail : enquiry@sh.panasian.com.sg

REPRESENTATIVE OFFICE

PAN ASIAN HOLDINGS LIMITED (VIETNAM)

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Fax : 848-817 4375
E-mail : enquiry@vn.panasian.com.sg

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 Tank Sdn Bhd is held by PVT Engineering Sdn Bhd

OPERATIONS REVIEW



Driven by higher sales in Malaysia, Hong Kong, Australia and Europe, our revenue improved 6.4% to \$50.6 million in FY2012, up from \$47.5 million in FY2011.

Despite the challenging macroeconomic environment, the Group delivered a commendable set of results for the full year ended 31 December 2012 (FY2012).

Driven by higher sales in Malaysia, Hong Kong, Australia and Europe, our revenue improved 6.4% to \$50.6 million in FY2012, up from \$47.5 million in FY2011. Our FY2012 revenue included a combined maiden revenue contribution of \$4.2 million from our new subsidiaries WD Moore (Australia) and DVC (Malaysia), which were acquired in December 2011 and February 2012.

Our gross profit increased 28.0% to \$11.4 million while gross profit margin jumped 4 percentage points to 23% in FY2012. The improvement demonstrated the success of our strategy to focus on higher margin product segments.

In line with our regional expansion activities, marketing and distribution costs increased 35.0% to \$5.5 million in FY2012. The higher expenses were due to the set up costs for our new companies in Australia and China, as well as higher headcount costs for our existing operations in China, Malaysia and Holland.

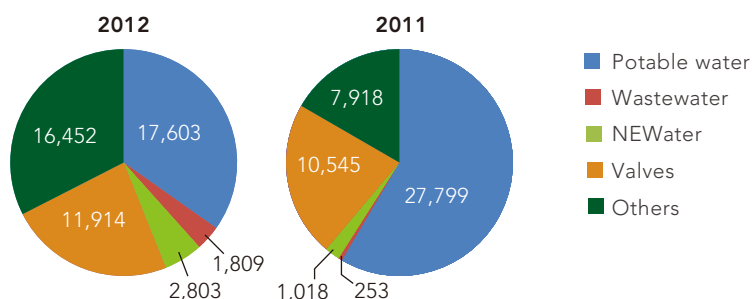
During the year under review, we stepped up our efforts to tighten our costs. This led to a 5.2% decline in administrative expenses to \$5.7 million, despite adding three new subsidiaries to the Group.

Coupled with lower contributions from other items of income, a slight increase in finance costs due to high trade financing, and share of losses from our joint venture in Thailand, profit before tax from continuing operations and net profit declined by 13.3% and 54.3% respectively to \$386,000 and \$129,000.

OPERATIONS REVIEW



SEGMENTAL AND GEOGRAPHICAL PERFORMANCE (\$'000)



Except for potable water, sales across all our product segments registered improvement in FY2012. In particular, revenue from the wastewater segment jumped over seven-fold to \$1.8 million, while NEWater segment increased nearly three-fold to \$2.8 million. These two segments combined contributed 9.1% of total sales in FY2012. Sales from the valves segment improved 13.0% to \$11.9 million, accounting for 23.6% of total sales. Others segment recorded over two-fold in sales improvement to \$16.5 million. Accounting for 32.5% of total sales, this segment is the Group's second largest revenue contributor. Sales of potable water declined 36.7% to \$17.6 million due to lower demand in Vietnam and Cambodia region. Despite the drop in revenue, the potable water segment remained our largest revenue contributor at 36.7% in FY2012.

Geographically, Singapore continued to be our largest market, contributing 27.6% of total revenue at \$14.0 million, marginally higher than last year. Sales in Malaysia, which represented 20.1%, jumped nearly two-fold to \$10.2 million due to the substantial completion of our ongoing engineering projects. Driven by higher success rates from its sales and marketing programmes, revenue from our Hong Kong market increased significantly from \$778,000 last year to \$2.1

million in FY2012. Sales from Australia and Europe also improved significantly as both markets recorded a full year of contribution, as compared to partial in FY2011. Indonesia and other markets, comprising Sri Lanka, Japan, and Switzerland also registered higher sales.

During the year under review, Vietnam, China and Cambodia experienced lower demand for our products due to the slowdown in their economies.

BALANCE SHEET AND CASH POSITION

As at 31 December 2012, our total assets stood at \$45.7 million, as compared to \$47.2 million in the corresponding period last year. The slight decrease was due to a decline of i) \$0.1 million in non-current assets as a result of higher depreciation of plant and equipment and amortisation of land use rights in China; and ii) \$1.4 million in current assets due to general reduction in prepayment and deposits, as well as a decrease in cash and cash equivalents.

As at 31 December 2012, cash and cash equivalents stood at \$3.1 million, as compared to \$7.0 million last year. The decline was mainly due to higher working capital needed to purchase inventories and an increase in trade and other payables.

SUPPORTING THE ENTIRE WATER CYCLE



CORPORATE GOVERNANCE STATEMENT

The Board of Directors and Management of Pan Asian Holdings Limited Group ("PAHL") 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") issued by the Singapore Council on Corporate Disclosure and Governance, and where applicable, the Catalyst 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.

The revised Code of Corporate Governance was issued by the Monetary Authority of Singapore on 2 May 2012. The revised code will only apply to the Company in respect of annual reports for the financial year commencing 1 November 2012. As at the date of this statement, PAHL has complied with many of its key revised principles and continues to keep pace with developments in corporate governance by enhancing its practices and framework.

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. Decision on material acquisitions or disposals, shares issues, funding proposals and dividends are reserved for the Board.

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. 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 2012 and the attendance of each Director are as follows:–

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings	4	4	1	1
Richard Koh Chye Heng	4	NA	NA	NA
Koh Eddie	4	NA	NA	NA
Goh Boon Kok	4	4	1	1
Wu Yu Liang	4	4	1	1
Indriati Khoe	4	4	1	1

Note:

NA – Not applicable

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 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.

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.

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.

CORPORATE GOVERNANCE STATEMENT

Mr. Richard Koh Chye Heng is the father of Mr. Koh Eddie. While the role of Chairman is not an independent director, the Board believes that the physical separation of the role of Chairman and CEO is already useful in preventing power being concentrated in one individual, allowing for increased accountability and independent decision making. The Board believes that the current independent directors already actively participates in board meetings and challenges the executive directors on the affairs and business of the Group.

The Board will consider the appointment of a separate independent Chairman or a lead independent director to further enhance the division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business as soon as it is appropriate to do so.

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 Koh Eddie and Mdm Indriati Khoe are 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 Koh Eddie, Mdm Indriati Khoe and re-appointment of Mr Goh Boon Kok, who have offered themselves for re-election/re-appointment, by shareholders at the AGM.

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/ Re-appointment
Richard Koh Chye Heng	Executive Chairman	26 May 2008	30 April 2012
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	30 April 2012
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 Director. 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 Director. 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 2012 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 Independent and Non-Executive Directors are always available to provide guidance to the management on business issues and in areas which they specialize in. The directors also have direct access to the management, the Company Secretaries and the Company Sponsor.

The Directors may communicate directly with the Management team and the Company Secretary on all matters whenever they deem necessary.

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 advise the Board on the framework of remuneration policies for the Directors and key executive officers;
- (b) To review and recommend to the Board in consultation with senior Management a framework of remuneration for Executive Directors, Chief Executive Officer and senior Management staff;
- (c) To review the remuneration packages of all managerial staff, if any, that are related to any of the Executive Directors or Chief Executive Officer; and
- (d) To recommend to the Board in consultation with 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, Mr Koh Eddie is based on Service Agreement dated 2 April 2012, which superceded the service agreement dated 29 May 2009, which was renewed on 29 May 2011, with effect from 1 April 2012. The new Service Agreement is renewable on yearly basis effective from 1 April 2012, and had been renewed for another one (1) year from 1 April 2013.

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 AGM.

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

Fixed salary/Fee

Fixed salary is determined based on the market value of the job. Merit increments, if any, are added to the basic salary. In line with the Singapore government's recommendations, the Company has designated a portion of the basic salary as a monthly variable component for certain employees, including key management staff.

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

Variable

Variable salaries comprise of sales commissions.

Other Benefits

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

The breakdown of remuneration of the Directors and key management staff of the Company for the year ended 31 December 2012 is set out below:

As at 31 December 2012, the Company does not have any long-term incentive scheme and employee share option scheme.

CORPORATE GOVERNANCE STATEMENT

Remuneration Band up to S\$250,000

Name	Fixed Salary/ Fees	Variable	Other Benefits
<u>Independent Directors</u>			
Goh Boon Kok	100%	–	–
Wu Yu Liang	100%	–	–
<u>Non-Executive Director</u>			
Indriati Khoe	100%	–	–
<u>Key Management Staff</u>			
Douglas Chee Beng Choon	91%	8%	1%
Raymond Tan Kok Cheng	58%	41%	1%
Chew Khong Yuen	100%	–	–
Donald Ee Keng Boon	100%	–	–
Eric Teo Yew Leong	100%	–	–

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

Name	Fixed Salary/ Fees	Variable	Other Benefits
<u>Executive Directors</u>			
Koh Eddie	95%	–	5%
Richard Koh Chye Heng	95%	–	5%

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 who was an immediate family member of a Director and whose remuneration exceeded S\$150,000 during the financial year ended 31 December 2012.

CORPORATE GOVERNANCE STATEMENT

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)

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

CORPORATE GOVERNANCE STATEMENT

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 715 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 effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews and evaluation carried out by the internal auditors and review of the external auditors' evaluation of the Company's internal controls relevant to their statutory audit and the assistance given to them by the Company's management;
- (b) 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;
- (c) To review significant financial reporting issues and judgments having regard to the requirements of the Catalist Listing Manual of the SGX-ST;
- (d) To review and approve interested person transactions;
- (e) To assess the performance and cost-effectiveness of the internal and external independent auditors, approve their remuneration, and recommend to the Board their re-appointment;
- (f) To review the independence and objectivity of the external auditors annually;
- (g) To review the nature and extent of non-audit services provided by the external auditors;
- (h) To meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC; and
- (i) To review the audit plan of the internal and external auditors of the Company.

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

Internal controls

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

The Board has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational and compliance risks. Based on its assessment of work performed by the internal auditors, review of the external auditors' evaluation of the Company's internal controls relevant to their statutory audit, and the Board, with the concurrence of the AC, are of the view that there are adequate internal controls in the Group addressing the financial, operational and compliance risks of the Group as at 31 December 2012.

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 Chairman 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 one month before the announcement of the Company's half-year and full-year financial results and ending on the date of announcement of the relevant financial results. The Directors and key executives of the Group should not deal in the Company's shares on short-term considerations.

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.

CORPORATE GOVERNANCE STATEMENT

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 2012 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.

The aggregate value of interested person transactions entered into during the financial year 2012 pursuant to Rule 920 is as follows:

Name of Interested Person	Aggregate value of all interested persons transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to 920 (excluding transactions less than S\$100,000)
Duvalco International Pte Ltd	–	185,000
Sinzhong Valves & Fittings (Wuxi) Co. Ltd	–	3,716,000

CORPORATE GOVERNANCE STATEMENT

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.

AUDIT AND NON-AUDIT FEES

[Catalist Rule 1204(6)(A)]

The fee paid to auditors, RSM Chio Lim LLP, in respect of audit and non-audit services for the financial year ended 31 December 2012 is \$133,000 and \$17,550, respectively.

CATALIST SPONSOR

[Catalist Rule 1204(21)]

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the former Sponsor, Canaccord Genuity Singapore Pte Ltd for the year under review. The Company has since 1 February 2013, appointed CNP Compliance Pte Ltd as the new continuing sponsor.

UTILISATION OF PROCEEDS

[Catalist Rule 1204 (22)]

There has been no proceeds raised in the financial year under review and no outstanding proceeds from previous fund raising.

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 2012.

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 options 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	At beginning of the reporting year	Deemed interest	
		At end of the reporting year	At 21 January 2013
In the Company	Number of shares of no par value		
Richard Koh Chye Heng	141,700,000	141,700,000	165,137,500
Koh Eddie	141,700,000	141,700,000	165,137,500
Indriati Khoe	141,700,000	141,700,000	165,137,500

DIRECTORS' REPORT

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

Name of directors and companies in which interests are held	At beginning of the reporting year	Direct interest At end of the reporting year	At 21 January 2013
In the Company	Number of shares of no par value		
Goh Boon Kok	2,150,000	2,150,000	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	Direct interest At end of the reporting year	At 21 January 2013
In the Company	Number of warrants ^(b)		
Goh Boon Kok	1,075,000	1,075,000	–

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 2013
In the Company	Number of warrants ^(b)		
Richard Koh Chye Heng	46,875,000	23,437,500	–
Koh Eddie	46,875,000	23,437,500	–
Indriati Khoe	46,875,000	23,437,500	–

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 one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Memorandum and Articles of Association, he has or is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

^(b) The warrants expired on 11 January 2013.

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 (as disclosed in the financial statements) with corporations in which certain directors have an interest.

5. SHARE OPTIONS

During the reporting year, 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 expired on 11 January 2013.

During the reporting year, an aggregate of 251,000 new ordinary shares were issued by virtue of the exercise of 251,000 warrants at the stated exercise price.

At the end of the reporting year, a total of 62,124,000 warrants were outstanding.

Subsequent to the reporting year end, a further 26,326,000 new ordinary shares were issued by virtue of the exercise of 26,326,000 warrants prior to their expiration date on 11 January 2013. A total of 35,798,000 warrants expired on 11 January 2013.

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

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 controls relevant to their statutory audit, and their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed with the internal auditor 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.

DIRECTORS' REPORT

7. AUDIT COMMITTEE (Continued)

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.

8. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 1 March 2013, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report except for an decrease of \$149,000 to Profit, net of tax and an increase of \$86,000 to other comprehensive loss for the year due primarily to audit adjustments made to the financial statements subsequent to the preliminary announcement.

On Behalf of The Directors

Richard Koh Chye Heng
Director

Koh Eddie
Director

8 April 2013

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the accompanying consolidated statement of profit or loss and other 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 2012 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

8 April 2013

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 41 to 121, which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the 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 profit or loss and other 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT 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 2012 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

8 April 2013

Partner in charge of audit: Paul Lee Seng Meng
Effective from year ended 31 December 2012

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2012

		Group	
	Notes	2012 \$'000	2011 \$'000
Revenue	5	50,581	47,533
Cost of Sales		(39,133)	(38,586)
Gross Profit		11,448	8,947
Other Items of Income			
Interest Income		84	54
Other Credits	6	694	2,379
Other Items of Expense			
Marketing and Distribution Costs	7	(5,512)	(4,478)
Administrative Expenses	7	(5,677)	(5,991)
Finance Costs		(281)	(195)
Other Charges	6	(310)	(678)
Share of (Loss) Profit from Equity-Accounted Joint Ventures		(60)	11
Profit Before Tax from Continuing Operations		386	445
Income Tax Expense	9	(257)	(163)
Profit from Continuing Operations, Net of Tax		129	282
Other Comprehensive (Loss) Income:			
Exchange Differences on Translating Foreign Operations, Net of Tax		(231)	481
Other Comprehensive (Loss) Income for the Year, Net of Tax:		(231)	481
Total Comprehensive (Loss) Income		(102)	763
Profit Attributable to Owners of the Parent, Net of Tax		55	171
Profit Attributable to Non-Controlling Interests, Net of Tax		74	111
Profit Net of Tax		129	282
Total Comprehensive (Loss) Income Attributable to Owners of the Parent		(105)	573
Total Comprehensive Income Attributable to Non-Controlling Interests		3	190
Total Comprehensive (Loss) Income		(102)	763
Earnings Per Share		Cents	Cents
Earnings per Share Currency Unit			
Basic	10	0.03	0.09
Diluted	10	0.03	0.09

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		Group		Company	
	Notes	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	11	7,464	7,952	2,850	3,143
Investments in Subsidiaries	12	–	–	11,100	10,795
Investments in Joint Ventures	13	100	60	105	49
Intangible Assets	14	2,510	2,279	–	–
Land Use Rights	15	2,809	2,852	–	–
Other Assets	16	87	87	87	87
Deferred Tax Assets	9	173	–	–	–
Total Non-Current Assets		13,143	13,230	14,142	14,074
Current Assets					
Inventories	17	6,952	4,271	2,685	1,599
Trade and Other Receivables	18	19,343	18,098	18,601	17,485
Other Assets	19	2,373	3,078	469	711
Cash and Cash Equivalents	20	3,906	8,566	937	3,446
Total Current Assets		32,574	34,013	22,692	23,241
Total Assets		45,717	47,243	36,834	37,315
EQUITY AND LIABILITIES					
Equity attributable to owners					
of the parent					
Share Capital	21	13,194	13,174	13,194	13,174
Other Reserves	23	(237)	(77)	–	–
Retained Earnings		9,196	9,007	9,843	10,297
Equity, Attributable to Owners					
of the Parent, Total		22,153	22,104	23,037	23,471
Non-Controlling Interests		2,461	2,555	–	–
Total Equity		24,614	24,659	23,037	23,471

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	Group		Company	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<u>Non-Current Liabilities</u>					
Deferred Tax Liabilities	9	216	317	81	81
Other Financial Liabilities	24	200	477	49	319
Total Non-Current Liabilities		416	794	130	400
<u>Current Liabilities</u>					
Income Tax Payable		562	309	253	296
Other Financial Liabilities	24	5,121	5,319	4,124	3,561
Trade and Other Payables	25	15,004	16,162	9,290	9,587
Total Current Liabilities		20,687	21,790	13,667	13,444
Total Liabilities		21,103	22,584	13,797	13,844
Total Equity and Liabilities		45,717	47,243	36,834	37,315

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2012

<u>Group:</u>	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 2012	24,659	2,555	22,104	13,174	9,007	(77)
Movements in Equity:						
Total Comprehensive (Loss) Income for the Year	(102)	3	(105)	–	55	(160)
Issuance of Shares (Note 21)	20	–	20	20	–	–
Disposal of Non-Controlling Interest without change in control (Note 12)	(22)	(156)	134	–	134	–
Acquisition/Incorporation of subsidiaries (Note 26)	59	59	–	–	–	–
Closing Balance at 31 December 2012	24,614	2,461	22,153	13,194	9,196	(237)
Previous 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 26)	1,092	1,092	–	–	–	–
Closing Balance at 31 December 2011	24,659	2,555	22,104	13,174	9,007	(77)

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 2012

<u>Company:</u>	Total Equity \$'000	Share Capital \$'000	Retained Earnings \$'000
Current Year:			
Opening Balance at 1 January 2012	23,471	13,174	10,297
Movements in Equity:			
Issuance of Shares (Note 21)	20	20	–
Total Comprehensive Loss for the Year	(454)	–	(454)
Closing Balance at 31 December 2012	23,037	13,194	9,843
Previous 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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2012

	Group	
	2012	2011
	\$'000	\$'000
Cash Flows from Operating Activities		
Profit Before Tax	386	445
Adjustment for:		
Depreciation of Property, Plant and Equipment	954	612
Gain on Disposal of Plant and Equipment	–	(214)
Amortisation of Intangible Asset	116	269
Amortisation of Land Use Rights	43	–
Refund of Shortfall of Profits Guarantee by Vendor (Note 27)	(427)	(820)
Gain on Bargain Purchases (Note 26)	(246)	(1,291)
Share of Loss/(Profit) from Equity-Accounted Joint Ventures	60	(11)
Interest Income	(84)	(54)
Interest Expense	281	195
Operating Cash Flow before Changes in Working Capital	1,083	(869)
Cash Restricted in Use Over 3 months	1,000	406
Trade and Other Receivables	(603)	(7,277)
Other Assets	532	(2,064)
Inventories	(2,494)	777
Other Liabilities	–	(106)
Trade and Other Payables	(1,398)	8,971
Net Cash Flows From Operations	(1,880)	(162)
Income Taxes Paid	(18)	(82)
Net Cash Used in Operating Activities	(1,898)	(244)
Cash Flows From Investing Activities		
Proceeds from Disposal of Plant and Equipment	–	229
Purchase of Property, Plant and Equipment (Note 20B)	(406)	(459)
Disposal of Non-Controlling Interest Without Change in Control	60	–
Net Cash Outflow from Acquisition of Subsidiaries (Note 26)	(489)	(1,381)
Investment in Joint Ventures	(100)	(49)
Refund of Shortfall of Profits Guarantee by Vendor (Note 27)	–	820
Purchase of Land Use Rights	–	(2,852)
Cash Restricted in Use Over 3 months	–	(1,000)
Interest Received	84	54
Net Cash Used in Investing Activities	(851)	(4,638)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2012

	Group	
	2012	2011
	\$'000	\$'000
Cash Flows From Financing Activities		
Interest Paid	(281)	(195)
Repayment of Bank Borrowings	(606)	(1,073)
Increase from New Borrowings	–	3,115
Finance Lease Repayment	(69)	(298)
Issuance of Shares	20	4,227
Net Cash (Used in)/From Financing Activities	(936)	5,776
Net (Decrease)/Increase in Cash and Cash Equivalents	(3,685)	894
Effect of Exchange Rate Changes on Cash and Cash Equivalent	(175)	65
Cash and Cash Equivalents, Statement of Cash Flows, Beginning Balance	6,976	6,017
Cash and Cash Equivalents, Statement of Cash Flows, Ending Balance (Note 20A)	3,116	6,976

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 the date of the statement of directors.

The Company's principal activities are those relating to supply of piping systems and related accessories for use in water and wastewater infrastructure developments. It is listed on Catalist which is a market on 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. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

Basis of 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 and 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 2012

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 as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at 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 are completed. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest 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 2012

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).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefits (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Transactions

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

Translation of Financial Statements of Other Entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting 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 reporting entity.

Borrowing Costs

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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

Leasehold properties	–	Over the terms of lease that are 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.

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 segments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 the Group controls another entity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries (Continued)

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

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 separate financial statements, an investment in a 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 carrying value and the net book value of a joint venture are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business Combinations

A business combination is 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 a 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 2012

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 2012

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 where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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 2012

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

Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Liabilities

Initial recognition, measurement and derecognition:

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

Subsequent measurement:

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

1. Financial liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount determined in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

A government grant related to assets, including non-monetary grants at fair value, is presented in the statement of financial position by setting up the grant as deferred income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

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 2012

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. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Critical Judgements, Assumptions and Estimation Uncertainties

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

Allowance for doubtful accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness 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 trade receivables carrying amount approximates 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. The carrying amount is disclosed in Note 18 on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 \$6,952,000 and \$2,685,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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 amounts are disclosed under Note 9C.

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 \$7,464,000 and \$2,850,000 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 \$9,359,000 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 \$9,359,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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.

Estimated impairment of land use rights and deposit paid to a contractor:

The Group has land use rights at a carrying value of \$2,809,000 (2011: \$2,852,000) and a deposit paid to a contractor of \$1,557,000 (2011: \$1,615,000) disclosed under Note 15 and Note 19 respectively. An assessment is made at each reporting date whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The Group has entered into certain commitments pursuant to its acquisition of land use rights which if not met, may potentially result in an impairment to the land use rights and the deposit paid to a contractor. Details of the commitments are disclosed in Note 29. Management is of the opinion that the potential impairment of the land use rights and deposit paid to the contractor is remote under the circumstances. See Note 29 for further details.

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 apply: (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 2012

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 one golden share in Xu Jia Zu Holdings Pte. Ltd. at the beginning and end of the reporting year. By virtue of Xu Jia Zu Holdings Pte. Ltd.'s Memorandum and Articles of Association, he has, or is deemed to 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 transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:–

	Ultimate parent company	
	2012	2011
	\$'000	\$'000
Rental income	2	3
Rental expense	(17)	(16)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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. The current balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any significant non-current balances and significant financial guarantees an interest or charge is charged or imputed unless stated otherwise.

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Royalty fees expense	–	–	185	354
Professional fee expense	11	16	–	–
Purchases of goods	–	–	3,716	2,381

In 2012, the Company acquired a 70% interest in DVC Valves (M) Sdn. Bhd. for \$490,000 from related parties. See Note 26(a) for further details.

In 2011, the Company acquired a subsidiary, Duvalco B.V., from directors of the Company at nil consideration. See Note 26(b) for further details.

3.3 Key management compensation:

	2012	2011
	\$'000	\$'000
Salaries and other short-term employee benefits	1,534	1,412

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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:

	2012 \$'000	2011 \$'000
Remuneration of directors of the Company	572	585
Fees to directors of the Company	118	153
Fees to a firm in which a director is a member	11	16

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:

<u>Group</u>	Director of a subsidiary	
	2012 \$'000	2011 \$'000
<u>Other payables:</u>		
Balance at beginning of the year	(103)	(137)
Amounts paid out and settlement of liabilities on behalf of a director of a subsidiary	(59)	–
Amounts paid in and settlement of liabilities on behalf of the Company	–	34
Other adjustments	3	–
Balance at end of the year (Note 25)	(159)	(103)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3.4 Other receivables from and other payables to related parties: (Continued)

<u>Company</u>	<u>Subsidiaries</u>	
	2012 \$'000	2011 \$'000
Other receivables:		
Balance at beginning of the year – net debit	5,333	2,114
Amounts paid out and settlement of liabilities on behalf of subsidiaries	1,630	5,475
Amounts paid in and settlement of liabilities on behalf of the Company	(2,600)	(2,644)
Allowance for impairment – reversal/(loss)	–	388
Balance at end of the year – net debit	4,363	5,333

<u>Company</u>	<u>Subsidiaries</u>	
	2012 \$'000	2011 \$'000
Presented in the statement of financial position as follows:		
Other receivables (Note 18)	5,069	6,102
Other payables (Note 25)	(706)	(769)
Balance at end of the year – net debit	4,363	5,333

<u>Related parties</u>	<u>Group</u>		<u>Company</u>	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Other receivables:				
Balance at beginning of the year	62	–	16	–
Amounts paid out and settlement of liabilities on behalf of related parties	38	84	38	16
Amounts paid in and settlement of liabilities on behalf of the Company	(57)	(22)	(11)	–
Balance at end of the year (Note 18)	43	62	43	16

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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.

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

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

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation/amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

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 2012

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue by segment														
External sales	17,603	27,799	1,809	253	2,803	1,018	11,914	10,545	16,452	7,918	–	–	50,581	47,533
Results:-														
Segment result	3,238	3,312	478	67	543	868	3,115	2,929	4,074	2,167	–	–	11,448	9,343
Interest income									–	7	84	47	84	54
Finance costs									(63)	(31)	(218)	(164)	(281)	(195)
Amortisation of intangible asset and land use rights									(159)	(269)	–	–	(159)	(269)
Depreciation of property, plant and equipment									(95)	(76)	(859)	(536)	(954)	(612)
Employee benefits expenses									(412)	(329)	(7,223)	(5,407)	(7,635)	(5,736)
Unallocated corporate expenses									–	–	(2,710)	(4,121)	(2,710)	(4,121)
Other credits									386	831	267	1,139	653	1,970
Share of (loss)/profit from equity-accounted joint ventures									–	–	(60)	11	(60)	11
Profit before tax													386	445
Income tax expense													(257)	(163)
Profit for the year													129	282

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4C. ASSETS, LIABILITIES AND RECONCILIATIONS

Business segments

	PW		WW		NW		VA		Others		Unallocated		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment														
assets														
Trade and other receivables	5,990	7,832	1,103	82	486	87	4,731	4,434	4,923	4,702	2,110	961	19,343	18,098
Property, plant and equipment									464	516	7,000	7,436	7,464	7,952
Cash and cash equivalents									640	47	3,266	8,519	3,906	8,566
Others									-	-	15,004	12,627	15,004	12,627
Total assets													45,717	47,243
Reportable segment														
liabilities														
Trade and other payables									2,497	2,651	12,506	13,511	15,004	16,162
Other financial liabilities									548	779	4,773	5,017	5,321	5,796
Others									-	-	778	626	778	626
Total liabilities													21,103	22,584
Capital expenditure									55	298	668	3,426	723	3,724

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4D. GEOGRAPHICAL INFORMATION

	Revenue	
	2012 \$'000	2011 \$'000
Singapore	13,967	13,638
Hong Kong	2,055	778
Vietnam	6,597	13,390
China	3,065	3,976
Australia	3,129	275
Cambodia	1,668	4,665
Europe	3,945	1,320
Indonesia	1,476	838
Malaysia	10,156	5,104
Others	4,523	3,549
Subtotal for all foreign countries	36,614	33,895
Total	50,581	47,533

	Non-current assets	
	2012 \$'000	2011 \$'000
Singapore	2,971	3,261
Hong Kong	2	2
China	4,174	4,101
Indonesia	–	2
Australia	1,737	1,959
Europe	900	1,015
Thailand	–	43
Malaysia	3,186	2,847
Subtotal for all foreign countries	9,999	9,969
Total	12,970	13,230

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 2012

4. FINANCIAL INFORMATION BY OPERATING SEGMENT (Continued)

4E. INFORMATION ABOUT MAJOR CUSTOMERS

	2012 \$'000
Top 1 customer (in PW segment)	6,889
Top 2 customers (in PW, NW and VA segments)	8,935
	2011 \$'000
Top 1 customer (in PW and NW segments)	6,724
Top 2 customers (in PW, NW and VA segments)	12,245

5. REVENUE

	Group	
	2012 \$'000	2011 \$'000
Sale of goods	49,912	47,240
Rental income	120	117
Commission income	113	75
Other income	436	101
	50,581	47,533

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. OTHER CREDITS AND (OTHER CHARGES)

	Group	
	2012	2011
	\$'000	\$'000
Government grant	10	37
Gain on bargain purchases (Note 26)	246	1,291
Gain on disposal of plant and equipment	–	214
Net allowance for impairment on trade receivables	(41)	1
Net allowance for inventories	(59)	15
Refund of shortfall of profits guarantee by vendor (Note 27)	427	820
Foreign exchange adjustment losses	(24)	(408)
Bad debts written off	(27)	–
Recharge of expenses incurred	11	–
Amortisation of intangible asset (Note 14B)	(116)	(269)
Amortisation of land use rights (Note 15)	(43)	–
Net	384	1,701
Presented in profit or loss as:		
Other Credits	694	2,379
Other Charges	(310)	(678)
Net	384	1,701

7. MARKETING AND DISTRIBUTION COSTS, ADMINISTRATIVE EXPENSES

The major components include the following:

	Group	
	2012	2011
	\$'000	\$'000
<u>Marketing and Distribution Costs</u>		
Employee benefits expense (Note 8)	3,790	2,333
<u>Administrative Expenses</u>		
Employee benefits expense (Note 8)	2,819	3,186

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2012	2011
	\$'000	\$'000
Employee benefits expense	6,339	4,827
Contributions to defined contribution plan	750	533
Other benefits	546	376
Total employee benefits expense	7,635	5,736
The employee benefits expense is charged under:		
Administrative expense	2,819	3,186
Cost of sales	1,026	217
Marketing and distribution costs	3,790	2,333
	7,635	5,736

9. INCOME TAX EXPENSE

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

	Group	
	2012	2011
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	481	125
Under/(over) adjustments to current tax in respect of prior periods	50	(255)
Subtotal	531	(130)
<u>Deferred tax (income) expense</u>		
Deferred tax (income) expense	(274)	293
Subtotal	(274)	293
Total income tax expense	257	163

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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% (2011: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2012	2011
	\$'000	\$'000
Profit Before Tax	386	445
Less: Share of loss/(profit) from equity-accounted joint ventures	60	(11)
	446	434
Income tax expense at the above rate	76	74
Not deductible items	133	104
Tax exemptions	–	(4)
Deferred tax asset (recognised)/unrecognised	(131)	137
Under/(over) adjustments to tax in respect of prior periods	50	(255)
Effect of different tax rates in different countries	40	51
Others minor items less than 3% each	89	56
Total income tax expense	257	163

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	
	2012	2011
	\$'000	\$'000
Gain on bargain purchases (Note 26)	(42)	(219)
Refund of shortfall of profits guarantee by vendor (Note 27)	(76)	(139)
Depreciation on non-qualifying plant and equipment	162	82
Amortisation of intangible asset	20	46
Professional fees	14	28
Foreign-sourced interest income	(12)	–
Foreign exchange differences	23	70
Other minor items	44	236
Net tax effect	133	104

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

9. INCOME TAX EXPENSE (Continued)

9B. MOVEMENTS IN DEFERRED TAX BALANCE:

	Group	
	2012	2011
	\$'000	\$'000
Deferred tax liabilities from acquisition of subsidiary – intangible asset	30	66
Deferred tax liabilities from acquisition of subsidiary – plant and equipment	27	–
Excess of net book value of property, plant and equipment	127	(284)
Tax loss carryforwards	(229)	185
Wear and tear allowances carryforward	206	39
Tax loss carryforwards used in group relief	(21)	(160)
Provisions	3	(2)
Deferred tax assets recognised/(unrecognised)	131	(137)
Total deferred tax income recognised in profit or loss	274	(293)

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

	Group	
	2012	2011
	\$'000	\$'000
Deferred tax liabilities recognised in profit or loss:		
Deferred tax liabilities from acquisition of subsidiary – intangible asset	(13)	(43)
Deferred tax liabilities from acquisition of business – plant and equipment	(122)	(149)
Excess of net book value of property, plant and equipment	(157)	(284)
Tax loss carryforwards	172	401
Tax loss carryforwards used in group relief	–	(206)
Wear and tear allowances carryforward	18	39
Provisions	60	57
Deferred tax assets unrecognised	(1)	(132)
Net position recognised in profit or loss	(43)	(317)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	(216)	(317)
Deferred tax assets	173	–
Net balance	(43)	(317)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

9. INCOME TAX EXPENSE (Continued)

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

	Company	
	2012	2011
	\$'000	\$'000
Deferred tax liabilities:		
Excess of net book value of plant and equipment	(146)	(200)
Total deferred tax liabilities	(146)	(200)
Deferred tax assets:		
Tax loss carryforwards	100	23
Excess of tax values over net book value of plant and equipment	16	39
Provisions	60	57
Total deferred tax assets	176	119
Net deferred tax assets/(liabilities)	30	(81)
Deferred tax assets not recognised	(111)	–
	(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

31 DECEMBER 2012

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:

	2012 \$'000	2011 \$'000
A. Numerators: earnings attributable to equity:		
Continuing operations:		
Total basic and diluted earnings attributable to equity holders	55	171
B. Denominators: weighted average number of equity shares	'000	'000
Basic	187,677	185,881
Diluted	214,003	196,627

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	Leasehold properties \$'000	Plant and equipment \$'000	Total \$'000
<u>Cost:</u>			
At 1 January 2011	3,085	4,344	7,429
Additions	119	708	827
Arising from acquisition of subsidiaries (Note 26)	–	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
Additions	157	294	451
Acquisition of subsidiaries (Note 26)	–	212	212
Write off	–	(26)	(26)
Foreign exchange adjustments	(7)	(124)	(131)
At 31 December 2012	3,351	7,960	11,311
<u>Accumulated depreciation:</u>			
At 1 January 2011	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
Arising from acquisition of subsidiaries (Note 26)	–	87	87
Depreciation for the year	128	826	954
Write off	–	(26)	(26)
Foreign exchange adjustments	–	(21)	(21)
At 31 December 2012	719	3,128	3,847
<u>Net book value:</u>			
At 1 January 2011	2,625	2,222	4,847
At 31 December 2011	2,610	5,342	7,952
At 31 December 2012	2,632	4,832	7,464

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

The depreciation expense is charged as follows:

<u>Group</u>	Cost of Sales \$'000	Marketing and Distribution Cost \$'000	Administrative Expenses \$'000	Total \$'000
2012	448	107	399	954
2011	122	43	447	612

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

Certain leasehold properties at a carrying value of approximately \$135,000 (2011: \$139,000) are mortgaged.

Properties include buildings in the course of construction with a cost of approximately \$256,000 (2011: \$119,000).

<u>Company</u>	Leasehold properties \$'000	Plant and equipment \$'000	Total \$'000
Cost:			
At 1 January 2011	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
Additions	16	24	40
Written off	–	(16)	(16)
At 31 December 2012	2,952	2,538	5,490
Accumulated depreciation:			
At 1 January 2011	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
Depreciation for the year	128	205	333
Written off	–	(16)	(16)
At 31 December 2012	713	1,927	2,640
Net book value:			
At 1 January 2011	2,479	950	3,429
At 31 December 2011	2,351	792	3,143
At 31 December 2012	2,239	611	2,850

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	\$'000	\$'000
Cost at the beginning of the year	11,220	6,007
Additions	540	5,213
Disposal of investment	(107)	–
	11,653	11,220
Allowance for impairment	(553)	(425)
Total at cost	11,100	10,795
Movement in allowance for impairment:		
Balance at beginning of the year	425	425
Impairment loss charge to profit or loss included in other charges	128	–
Balance at end of the year	553	425
Net book value of subsidiaries	11,657	10,182

	Company	
	2012	2011
	\$'000	\$'000
Analysis of above amount denominated in non-functional currencies:		
Hong Kong Dollars	586	586
Chinese Renminbi	4,830	4,830
Australian Dollars	1,002	1,002
Indonesian Rupiah	86	168
Malaysia Ringgit	3,299	2,809

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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	
	2012 \$'000	2011 \$'000	2012 %	2011 %
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), (8)} Indonesia Exporting and importing of products of water treatment (RSM AAJ Associates)	86	168	51	100
DVC Valves (M) Sdn. Bhd. ^{(2), (6)} Malaysia General importers and exporters of valves (Russ Ooi & Associates)	490	—	70	—
PA Water Solutions (Shanghai) Limited ⁽²⁾ People's Republic of China General importers and exporters of pipes and valves (BDO Shu Lun Pan Certified Public Accountants)	330	330	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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	
	2012 \$'000	2011 \$'000	2012 %	2011 %
PA Asian HB Pte. Ltd. Singapore Selling and distribution of bolts and nuts for oil and gas industry (RSM Chio Lim LLP)	825	825	100	100
PA Corporation Sdn. Bhd. ⁽³⁾ Malaysia General importers and exporters for pipes and valves	211	211	100	100
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)	4,500	4,500	100	100
PVT Engineering Sdn. Bhd. ⁽¹⁾ 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 ⁽¹⁾ Australia Manufacture and supply of windmill and solar-powered water pumping systems (RSM Bird Cameron Partners)	1,002	1,002	51	51
PA Airwater Pte. Ltd. ⁽⁵⁾ Singapore Process provider in water and wastewater treatment as well as consultancy services and other water treatment services (RSM Chio Lim LLP)	—	—	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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	
	2012 \$'000	2011 \$'000	2012 %	2011 %
W.D.Moore (Asia) Pte Ltd ⁽⁹⁾ Singapore General supply of windmill and solar-powered water pumping systems (RSM Chio Lim LLP)	25	–	51	100
Duvalco B.V. ⁽⁴⁾ Netherlands Manufacturing of valves and fittings	–	–	100	100
Total in the books of the Company	11,653	11,220		
<u>Held by Duvalco Valves and Fittings Pte. Ltd.</u>				
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
<u>Held by Duvalco Valves (Tianjin) Co. Limited</u>				
Shanghai Ji Xin Flow Control Co. Limited ⁽¹⁾ People's Republic of China Supply of piping systems for use in water and wastewater infrastructure developments, and marine and industrial applications (RSM China Certified Public Accountants)	59	59	36	36
<u>Held by PVT Engineering Sdn. Bhd.</u>				
GLS Tanks Sdn. Bhd. ⁽¹⁾ 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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	
	2012	2011	2012	2011
	\$'000	\$'000	%	%
<u>Held by PA Water Solutions (Shanghai) Limited</u>				
Pan Asian (Tianjin) Industrial and Trading Co. Ltd. ^{(1), (7)} People's Republic of China Supply of valves and piping systems, and related accessories (RSM China Certified Public Accountants)	55	–	55	55

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

(2) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(3) Not audited as it is immaterial. The unaudited management financial statements at 31 December 2012 have been used for consolidation purposes.

(4) Cost of investment is nil (see Notes 3.2 and 26). 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 2012 for consolidation purposes.

(5) Cost of investment is \$1 each.

(6) Acquired on 17 February 2012. See Note 26(a) for details.

(7) 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. On 13 January 2012, PA Water Solutions (Shanghai) Limited injected RMB275,000 (approximately \$55,000) for its 55% interest in the subsidiary.

(8) An interest of 49% in PT. Pan Asian Water Solutions ("PTPA") was disposed during the reporting year for \$60,000 settled in cash. This reduced the equity interest from 100% to 51%. The amount of \$60,000 representing the proportionate share of the carrying amount of the net assets of PTPA has been transferred to non-controlling interests. The difference between the increase in the non-controlling interests and the consideration received being the loss on disposal of \$22,000 has been accounted as an equity transaction as there has been no loss of control in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

12. INVESTMENTS IN SUBSIDIARIES (Continued)

- (9) During the reporting year, additional capital of \$50,000 was injected into W.D. Moore (Asia) Pte Ltd. ("WDMA"). Additionally, an interest of 49% in WDMA was disposed during the reporting year for \$25,000 settled in cash. This reduced the equity interest from 100% to 51%. The amount of \$25,000 representing the proportionate share of the carrying amount of the net assets of WDMA has been transferred to non-controlling interests. There was no difference between the increase in non-controlling interests and consideration received.

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

13. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Movements in carrying value:				
At 1 January	60	—	49	—
Additions	100	49	100	49
Allowance for impairment	—	—	(44)	—
Share of (loss) profit for the year	(60)	11	—	—
At 31 December	100	60	105	49
Carrying value:				
Unquoted equity share at cost	149	49	149	49
Impairment loss charge to profit or loss included in other charges	—	—	(44)	—
Share of post-acquisition (loss) profits	(49)	11	—	—
	100	60	105	49
Share of net book value of joint ventures	100	38	100	38
Analysis of above amount denominated in non-functional currency				
Thai Baht	—	44	—	44

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENTS IN JOINT VENTURES (Continued)

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	
	2012	2011
	%	%
Franklin Hodge (Asia) Pte. Ltd. Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	50	50
S-Two Asia Pte. Ltd. ⁽¹⁾ Singapore Explore market opportunities in marine and offshore industry. (RSM Chio Lim LLP)	50	—
Duvalco Controls Co. Ltd. ⁽²⁾ Thailand Supply of piping systems, water tank system and related accessories	49	49

(1) During the year, the Company entered into a joint venture agreement with S-Two GMBH & Co. KG to incorporate a 50:50 owned joint venture company in Singapore to explore market opportunities in marine and offshore industry. Pursuant to the joint venture agreement, S-Two Asia Pte. Ltd. was incorporated on 3 May 2012 with a paid-up share capital of \$200,000. The Company and S-Two GMBH & Co. KG subscribed 100,000 shares each at a consideration of \$1 per share.

(2) In 2011, the Company entered into a joint venture agreement to incorporate a 49:51 owned joint venture company in Thailand to develop and expand the Group's 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. ("DCC") was incorporated on 9 December 2010 with a paid-up share capital of Thai Baht 2,000,000 and jointly controlled by the Company. During the year, the Company's investment in DCC of S\$44,000 was fully impaired.

The Group's share of post-acquisition loss of DCC amounted to S\$44,000 as at 31 December 2012. The unaudited financial statements at 31 December 2012 of the entity have been used for equity accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENTS IN JOINT VENTURES (Continued)

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

	Group	
	2012	2011
	\$'000	\$'000
Assets	926	147
Liabilities	727	33
Revenue	449	116
(Loss) Profit for the year	(119)	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.

14. INTANGIBLE ASSETS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Goodwill (Note 14A)	2,456	2,109	–	–
Other intangible assets (Note 14B)	54	170	–	–
Total	2,510	2,279	–	–

14A. GOODWILL

	Group	
	2012	2011
	\$'000	\$'000
Cost:		
Balance at beginning of the year	2,109	2,109
Arising from acquisition of subsidiary (Note 26)	347	–
Balance at end of the year	2,456	2,109

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

14. INTANGIBLE ASSETS (Continued)

14A. GOODWILL (Continued)

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

	Group	
	2012 \$'000	2011 \$'000
<u>Name of subsidiary:</u>		
PVT Engineering Sdn. Bhd. and its subsidiary (in Others segment)	2,109	2,109
DVC Valves (M) Sdn. Bhd.	347	—
	2,456	2,109

PVT Engineering Sdn. Bhd. and its subsidiary

The goodwill for PVT Engineering Sdn. Bhd. and its subsidiary 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).

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 derives its five year cash flow forecasts from the most recent financial budgets approved by management, taking into consideration confirmed and probable projects for the next two years (FY2013 and FY2014). Cash flow projections for the next three years are estimated based on projected revenues of FY 2014. A discount rate of 19.4% (2011: 18.9%) representing the subsidiary's weighted average cost of capital was used to discount the forecast cash flow.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

14. INTANGIBLE ASSETS (Continued)

14A. GOODWILL (Continued)

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

If the post-tax discount rate was 0.5% higher than management's estimates, an impairment of \$386,000 would have been recognised.

DVC Valves (M) Sdn. Bhd.

The goodwill for DVC Valves (M) Sdn. Bhd. was not tested by management for impairment at the end of the reporting year as (i) it was assessed not to be material; and (ii) the acquisition took place in 2012 (see Note 26(a)).

14B. OTHER INTANGIBLE ASSETS

	Group	
	2012	2011
	\$'000	\$'000
<u>Cost:</u>		
At beginning and end of the year	597	597
<u>Accumulated Amortisation:</u>		
At beginning of the year	427	158
Amortisation for the year charged under other charges	116	269
At the end of the year	543	427
<u>Net book value:</u>		
At beginning of the year	170	439
At end of the year	54	170

Other intangible assets consist of order backlog.

NOTES TO THE FINANCIAL STATEMENTS

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15. LAND USE RIGHTS

	Group	
	2012	2011
	\$'000	\$'000
Cost:		
At beginning of the year	2,852	–
Additions	–	2,852
At the end of the year	2,852	2,852
Accumulated Amortisation:		
At beginning of the year	–	–
Amortisation for the year charged under other charges	43	–
At the end of the year	43	–
Net book value:		
At beginning of the year	2,852	–
At end of the year	2,809	2,852

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. Certain commitments in relation to the land use rights are disclosed under Note 29.

16. OTHER ASSETS, NON-CURRENT

	Group		Company	
	2012	2011	2012	2011
	\$'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

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER ASSETS, NON-CURRENT (Continued)

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.

17. INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Finished goods and goods for resale	6,952	4,271	2,685	1,599
Inventories are stated after allowance.				
Movements in allowance:				
Balance at beginning of the year	339	355	293	316
Charge (reversed) to profit or loss included in other charges (credits)	59	(15)	9	(23)
Foreign exchange adjustments	(5)	(1)	–	–
Balance at end of the year	393	339	302	293
Changes in inventories of finished goods (increase)	(2,681)	(139)		
Cost of inventories sold recognised in cost of sales	34,959	35,771		

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

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<u>Trade receivables:</u>				
Outside parties	16,757	17,377	8,795	10,350
Less allowance for impairment	(40)	(33)	–	(33)
Subsidiaries (Note 3)	–	–	2,778	1,045
Related parties (Note 3)	516	16	303	5
Subtotal	17,233	17,360	11,876	11,367
<u>Other receivables:</u>				
Subsidiaries (Note 3) ^(a)	–	–	5,296	6,329
Less allowance for impairment	–	–	(227)	(227)
Related parties (Note 3)	43	62	43	16
Tax recoverable	128	215	–	–
Outside parties	1,939	461	1,613	–
Subtotal	2,110	738	6,725	6,118
Total trade and other receivables	19,343	18,098	18,601	17,485
<u>Movements in above allowance:</u>				
Balance at beginning of year	33	34	260	730
Net allowance for trade receivables to profit or loss included in other charges	41	(1)	–	(470)
Amount utilised against allowance	(33)	–	(33)	–
Foreign exchange adjustments	(1)	–	–	–
Balance at end of year	40	33	227	260

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

- (i) Loans totalling \$30,000 as at 31 December 2012 (2011: \$510,000). These loans as at 31 December 2011 were 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) (2011: \$393,000) 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 26(c)).

NOTES TO THE FINANCIAL STATEMENTS

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19. OTHER ASSETS, CURRENT

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Prepayments	2,236	3,043	449	697
Deposits to secure services	137	35	20	14
	2,373	3,078	469	711

Prepayments includes a deposit of \$1,557,000 (2011: \$1,615,000) paid to a contractor to construct plant and equipment. See further details in Note 29.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not restricted in use	3,906	7,566	937	3,446
Cash restricted in use ^(a)	–	1,000	–	–
	3,906	8,566	937	3,446

(a) Being cash set aside for capital contribution to a foreign operation.

The interest earning balances are not significant.

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

	Group	
	2012	2011
	\$'000	\$'000
Amount as shown above	3,906	8,566
Bank overdrafts (Note 24)	(790)	(590)
Cash restricted in use	–	(1,000)
Cash and cash equivalents for statement of cash flows purposes at end of the year	3,116	6,976

20B. NON-CASH TRANSACTIONS:

During the year there were acquisitions of plant and equipment with a total cost of approximately \$45,000 (2011: \$368,000) acquired by means of finance leases.

NOTES TO THE FINANCIAL STATEMENTS

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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 2011	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 expense	–	(158)
Balance at end of the year 31 December 2011	187,625	13,174
Issue of shares by virtue of exercise of warrants at \$0.08 each	251	20
Balance at end of the year 31 December 2012	187,876	13,194

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 62,124,000 (2011: 62,375,000). Subsequent to the end of the reporting year, 26,326,000 share warrants were converted into shares at the price of \$0.08 for each ordinary share of no par value before the expiry date of the warrants on 11 January 2013. See Note 22 for details.

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 the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

21. SHARE CAPITAL (Continued)

Capital Management: (Continued)

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

	Group	
	2012	2011
	\$'000	\$'000
Net debt:		
All current and non-current borrowings including finance leases	5,321	5,796
Less: cash and cash equivalents	(3,906)	(8,566)
Net debt	1,415	(2,770)
Adjusted capital:		
Total equity	24,614	24,659
Adjusted capital	24,614	24,659
Debt-to-adjusted capital ratio	5.75%	n.m

In 2011, the cash and cash equivalents balance was greater than borrowings. As such, the debt-to-adjusted capital ratio did 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.

During the reporting year, an aggregate of 251,000 new ordinary shares amounting to \$20,000 were issued by virtue of the exercise of 251,000 warrants at the stated exercise price.

At the end of the reporting year, a total of 62,124,000 warrants were outstanding.

Subsequent to the reporting year end, a further 26,326,000 new ordinary shares were issued by virtue of the exercise of 26,326,000 warrants prior to their expiration date on 11 January 2013. A total of 35,798,000 warrants expired on 11 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

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23. OTHER RESERVES

	Group	
	2012	2011
	\$'000	\$'000
Foreign currency translation reserve (Note 23A)	(319)	(159)
Disposal of Non Controlling Interest without change in control	134	–
Statutory reserves (Note 23B)	82	82
Total at the end of the year	(103)	(77)

23A. FOREIGN CURRENCY TRANSLATION RESERVE

	Group	
	2012	2011
	\$'000	\$'000
At beginning of the year	(159)	(561)
Exchange differences on translating foreign subsidiaries	(160)	402
At end of the year	(319)	(159)

The currency translation reserve accumulates all foreign exchange differences.

23B. STATUTORY RESERVES

	Group	
	2012	2011
	\$'000	\$'000
At beginning of the year	82	69
Transferred from retained earnings	–	13
At end of the year	82	82

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Non-current:				
Bank loans (Note 24B)	–	200	–	200
Finance leases (Note 24C)	200	277	49	119
Non-current, total	200	477	49	319
Current:				
Bank loans (Note 24B)	3,075	3,937	2,476	2,800
Trust receipts for purchase of inventories (Note 24A)	1,148	692	1,148	692
Finance leases (Note 24C)	108	100	69	69
Bank overdrafts (Note 24A)	790	590	431	–
Current, total	5,121	5,319	4,124	3,561
Total	5,321	5,796	4,173	3,880
The non-current portion is repayable as follows:				
Due within two to five years	200	477	49	319
Total non-current portion	200	477	49	319

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	
	2012	2011	2012	2011
	%	%	%	%
Bank loans	2.06 – 8.05	2.06 – 8.20	2.06 – 5.00	2.06 – 5.00
Bank overdrafts	5.00 – 8.10	8.50	5.00	–
Trust receipts for purchase of inventories	1.95 – 3.25	1.90 – 5.25	1.95 – 3.25	1.90 – 5.25

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 are covered by a first legal charge on certain inventories.

The bank overdraft of the Company as at 31 December 2012 is unsecured. Certain bank overdrafts of a subsidiary as at 31 December 2012 and 2011 are secured and covered by:

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

24B. BANK LOANS

The non-current bank loans is repayable by 48 monthly instalments from May 2009 and matures in April 2013. All other bank loans are due within one year.

The bank loans agreements as at 31 December 2012 and 2011 are secured and covered by:

- A negative pledge over the assets of the Company
- Corporate guarantee from the Company
- Personal guarantee from certain directors of a subsidiary

24C. FINANCE LEASES

Group

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2012			
Minimum lease payments payable:			
Due within one year	127	(19)	108
Due within two to five years	223	(23)	200
Total	350	(42)	308
2011			
Minimum lease payments payable:			
Due within one year	110	(10)	100
Due within two to five years	297	(20)	277
Total	407	(30)	377

NOTES TO THE FINANCIAL STATEMENTS

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24. OTHER FINANCIAL LIABILITIES (Continued)

24C. FINANCE LEASES (Continued)

Company

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2012			
Minimum lease payments payable:			
Due within one year	79	(10)	69
Due within two to five years	58	(9)	49
Total	137	(19)	118
2011			
Minimum lease payments payable:			
Due within one year	79	(10)	69
Due within two to five years	139	(20)	119
Total	218	(30)	188

Net book value of plant and equipment under finance leases of the Group and the Company amounted to \$420,011 (2011: \$622,812) and \$130,516 (2011: \$288,028) respectively at the end of the reporting year.

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is three to five years. For the reporting year ended 31 December 2012, the rate of interest for finance leases ranges from 2.5% to 3.35% (2011: 2.5% to 3.75%) 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.

NOTES TO THE FINANCIAL STATEMENTS

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25. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade payables:				
Outside parties and accrued liabilities	12,776	14,134	7,295	7,496
Related parties (Note 3)	482	618	360	387
Subsidiaries (Note 3)	–	–	784	897
Subtotal	13,258	14,752	8,439	8,780
Other payables:				
Outside parties	735	623	145	38
Director of subsidiary (Note 3)	159	103	–	–
Subsidiaries (Note 3) ^(a)	–	–	706	769
Advances received from customers	852	684	–	–
Subtotal	1,746	1,410	851	807
Total trade and other payables	15,004	16,162	9,290	9,587

- (a) Includes a loan from a subsidiary amounting to \$450,000 (2011: \$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.

26. ACQUISITION OF SUBSIDIARIES

2012

- (a) On 17 February 2012, the Group acquired 350,000 ordinary shares in the capital of DVC Valves (M) Sdn. Bhd. ("DVC") (incorporated in Malaysia), representing 70% of the issued share capital of DVC for a consideration of MYR1,200,000 (approximately \$490,000). The transaction was accounted for by the purchase method of accounting.

The rationale for the Group's acquisition of DVC Valves (M) Sdn. Bhd. is to tap on DVC's extensive experience in specialised valves to support the Group's engineering projects in Malaysia.

DVC was acquired from a related party and has been reported as an interested person transaction (as defined in Chapter 9 of the Listing Manual of SGX).

NOTES TO THE FINANCIAL STATEMENTS

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26. ACQUISITION OF SUBSIDIARIES (Continued)

2012 (Continued)

The details of the acquisition are as follows:

	<u>\$'000</u>
<u>Fair value at acquisition</u>	
Cash and cash equivalent	1
Plant and equipment	125
Trade and other receivables	201
Other payables	(243)
Inventories	118
	<u>204</u>
Non-controlling interests	(59)
Goodwill (Note 14A)	347
Consideration	<u>490</u>

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 2012	For the reporting year 2012
	\$'000	\$'000
Revenue	1,126	1,228
Profit before income tax	112	122

2011

- (b) 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

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26. ACQUISITION OF SUBSIDIARIES (Continued)

2011 (Continued)

- (c) 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).

Details of the business combinations in 2011 are presented as follows:

	Fair value at acquisition			Carrying value at acquisition		
	Duvalco	W.D.Moore	Total	Duvalco	W.D.Moore	Total
	B.V. \$'000	Pty Ltd \$'000		B.V. \$'000	Pty Ltd \$'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).

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 in 2011. In 2012, the fair value at acquisition of plant and equipment and inventories for W.D. Moore Pty Ltd was assessed at \$246,000. As such, the Group recognised \$246,000 as a gain on bargain purchases during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

26. ACQUISITION OF SUBSIDIARIES (Continued)

2011 (Continued)

The contribution from the acquired subsidiary for the period between the date of acquisition and the end of the reporting year was 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

27. PROFIT GUARANTEE REFUND

The Group acquired 60% of PVT Engineering Sdn. Bhd. and subsidiary, GLS Tanks Sdn. Bhd. (collectively "PVT group") on 1 July 2010. Pursuant to the shares sale and purchase agreement entered into on 7 June 2010, the vendors warrant that the cumulative profit before tax of PVT group for the financial years ending 30 June 2011 and 2012 shall be MYR5,000,000 (approximately \$2,049,000) ("profit target"). Based on the profit target, the Group agreed to pay the maximum purchase price of MYR6 million (approximately \$2,598,000) provided the cumulative profits before tax of PVT group for the both financial years exceeds the profit target. In the event 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 group according to the formula stipulated in the agreement. In any case, the minimum purchase price shall be MYR1.2 million (approximately \$492,000).

During the reporting year, the vendors of PVT group refunded MYR1,067,000 (approximately \$427,000) to the Group being the estimated shortfall in the profit before tax of PVT group for the financial year ended 30 June 2012 from the profit target. This amount was taken up as other credit in accordance with FRS 103 Business Combination as an event occurring after the acquisition date.

In 2011, the refund from PVT group amounted to RM 2,000,000 (approximately \$820,000) being the estimated shortfall in the profit before tax of PVT for the financial year ended 30 June 2011 from the profit target.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

28A. 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Cash and cash equivalents	3,906	8,566	937	3,446
Loans and receivables	19,215	17,883	18,601	17,485
At end of the year	23,121	26,449	19,538	20,931
Financial liabilities:				
Other financial liabilities at amortised cost	5,321	5,796	4,173	3,880
Trade and other payables at amortised cost	14,151	15,478	9,290	9,587
At end of the year	19,472	21,274	13,463	13,467

Further quantitative disclosures are included throughout these financial statements.

28B. 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. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk, foreign currency risk and market price risk comprising interest rate and currency risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28C. 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.

28D. 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 (2011: 60 to 90 days). But some customers take a longer period to settle the amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28D. 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
31-60 days	4,331	1,504	3,205	1,493
61-90 days	2,541	39	1,872	642
91-120 days	1,616	207	1,611	517
Over 120 days	2,979	1,701	2,183	3,392
Total	11,467	3,451	8,871	6,044

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

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
Over 120 days	40	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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Top 1 customer	2,471	4,622	2,471	4,622
Top 2 customers	4,038	7,275	4,038	7,275

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28E. LIQUIDITY RISK

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

<u>Group</u>	Less than one year \$'000	One – five years \$'000	Total \$'000
Non-derivative financial liabilities:			
2012:			
Other financial liabilities	5,140	242	5,382
Trade and other payables	14,151	–	14,151
At end of the year	19,291	242	19,533
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
Company			
Non-derivative financial liabilities:			
2012:			
Other financial liabilities	4,134	68	4,202
Trade and other payables	9,290	–	9,290
At end of the year	13,424	68	13,492
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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28E. LIQUIDITY RISK (Continued)

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:

<u>Company</u>	Less than one year \$'000	Total \$'000
2012		
Financial guarantee contracts – in favour of certain subsidiaries (Note 3)	3,062	3,062
2011:		
Financial guarantee contracts – in favour of certain subsidiaries (Note 3)	2,734	2,734

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 (2011: 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.

28F. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets:				
Floating rate	–	318	–	209
At end of the year	–	318	–	209
Financial liabilities:				
Fixed rate	308	377	118	188
Floating rate	5,013	5,419	4,055	3,692
At end of the year	5,321	5,796	4,173	3,880

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28F. INTEREST RATE RISK (Continued)

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.

28G. FOREIGN CURRENCY RISKS

Analysis of amounts denominated in non-functional currency:

	US Dollars \$'000	Japanese Yen \$'000	Pound Sterling \$'000	Hong Kong Dollar \$'000	Euro Dollars \$'000	Malaysia Ringgit \$'000	Total \$'000
Group							
Financial assets:							
2012:							
Cash	211	5	68	–	255	77	616
Receivables	4,492	–	1,001	–	148	505	6,146
Total financial assets	4,703	5	1,069	–	403	582	6,762
Group							
Financial liabilities:							
2012:							
Borrowings	1,147	–	–	–	–	–	1,147
Payables	4,437	1	526	–	162	–	5,126
Total financial liabilities	5,584	1	526	–	162	–	6,273
Net financial (liabilities)/ assets at end of the year	(881)	4	543	–	241	582	489

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28G. FOREIGN CURRENCY RISKS (Continued)

	US Dollars \$'000	Japanese Yen \$'000	Pound Sterling \$'000	Hong Kong Dollar \$'000	Euro Dollars \$'000	Indonesia Rupiah \$'000	Total \$'000
Group							
Financial assets:							
2011:							
Cash	2,611	56	151	–	103	–	2,921
Receivables	5,045	–	684	306	5	–	6,040
Total financial assets	7,656	56	835	306	108	–	8,961
Group							
Financial liabilities:							
2011:							
Borrowings	212	–	297	–	183	–	692
Payables	5,838	–	535	279	1,299	–	7,951
Total financial liabilities	6,050	–	832	279	1,482	–	8,643
Net financial assets/ (liabilities) at end of the year	1,606	56	3	27	(1,374)	–	318

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28G. FOREIGN CURRENCY RISKS (Continued)

	US Dollars \$'000	Japanese Yen \$'000	Pound Sterling \$'000	Euro Dollars \$'000	Australian dollar \$'000	Malaysia Ringgit \$'000	Indonesia Rupiah \$'000	Total \$'000
Company								
Financial assets:								
2012:								
Cash	111	5	59	255	–	77	–	507
Receivables	4,481	–	1,009	3,336	412	957	–	10,195
Total financial assets	4,592	5	1,068	3,591	412	1,034	–	10,702
Company								
Financial liabilities:								
2012:								
Borrowings	1,147	–	–	–	–	–	–	1,147
Payables	4,452	1	499	277	–	72	19	5,320
Total financial liabilities	5,599	1	499	277	–	72	19	6,467
Net financial (liabilities)/ assets at end of the year	(1,007)	4	569	3,314	412	962	(19)	4,235

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28G. FOREIGN CURRENCY RISKS (Continued)

	US	Japanese	Pound	Hong	Euro	Australian	Malaysia	Indonesia	
	Dollars	Yen	Sterling	Kong	Dollars	Dollar	Ringgit	Rupiah	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company									
Financial assets:									
2012:									
Cash	2,106	56	147	–	45	–	–	–	2,354
Receivables	4,976	–	657	306	881	393	154	56	7,423
Total financial assets	7,082	56	804	306	926	393	154	56	9,777
Company									
Financial liabilities:									
2011:									
Borrowings	212	297	–	–	183	–	–	–	692
Payables	6,207	–	469	279	71	–	–	18	7,044
Total financial liabilities	6,419	297	469	279	254	–	–	18	7,736
Net financial assets/(liabilities) at end of the year	663	(241)	335	27	672	393	154	38	2,041

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28G. FOREIGN CURRENCY RISKS (Continued)

Sensitivity analysis:

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an (adverse)/favourable effect on pre-tax profit of	88	(161)	101	(66)
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)/favourable effect on pre-tax profit of	–	(6)	–	24
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	(54)	–	(57)	(34)
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)/favourable effect on pre-tax profit of	(24)	137	(331)	(67)
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	–	–	(41)	(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	(58)	–	(96)	(14)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

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

28G. 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.

29. 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	
	2012	2011
	\$'000	\$'000
Contractual obligations to construct plant and equipment	6,852	5,868

The capital commitments above relate to development on the Group's land in the People's Republic of China (Note 15). Arising from the land use rights acquired, the Group was originally scheduled to:

- (a) Commence development on the land before 1 November 2011; and
- (b) Complete development on the land by 31 December 2012.

In March 2013, the Group obtained an extension from the local authorities for development on the land to be undertaken between 31 March 2013 and 1 April 2014.

In the event that the Group is not able to complete development within the stipulated period, approval for extension must be sought from the authorities six months in advance. Failure to do so would result in a possible confiscation of the land. In the event, the potential amount at risk would include the carrying value of the land amounting to \$2,809,000 as at 31 December 2012 (Note 15) and a deposit amounting to \$1,557,000 paid to a contractor to construct plant and equipment on the land (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

29. COMMITMENTS (Continued)

As of the date of the financial statements, preparatory work has commenced for the development of the land. Management is of the opinion that the potential impairment of the land and deposit paid to the contractor is remote under the circumstances.

30. 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not later than one year	477	410	228	228
Later than one year and not later than five years	1,229	1,326	850	805
Later than five years	2,638	2,701	2,638	2,701
Rental expense for the year	652	585	259	274

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 22 years (2011: 3 to 23 years) and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

31. 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not later than one year	19	41	19	41
Later than one year but not later than five years	–	1	–	1
Rental income for the year	120	117	117	117

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 2012

32. CONTINGENT LIABILITIES

	Company	
	2012	2011
	\$'000	\$'000
Bank guarantee in favour of subsidiaries (Note 3)	3,062	2,734

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.

33. EVENTS SUBSEQUENT TO THE END OF THE REPORTING YEAR

On 14 January 2013, the Company incorporated PA Tech (Asia) Pte. Ltd. ("PA Tech") (incorporated in Singapore) with a share capital of S\$1. The principal activities of PA Tech are that of wholesale of marine equipment and accessories.

34. COMPARATIVE INFORMATION

Comparative amounts have been reclassified for consistency as follows:

	Group	
	As restated	As previously reported
	\$'000	\$'000
<u>Consolidated Statement of Comprehensive Income:</u>		
Cost of Sales	(38,586)	(38,190)
Gross Profit	8,947	9,343
Marketing and Distribution Costs	(4,082)	(4,478)

35. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the reporting year ended 31 December 2012 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	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income
FRS 12	Deferred Tax (Amendments to) – Recovery of Underlying Assets
FRS 107	Financial Instruments: Disclosures (Amendments to) – Transfers of Financial Assets

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

36. 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 Jul 2012
FRS 1	Amendment to FRS 1 Presentation of Financial Statements (Annual Improvements)	1 Jan 2013
FRS 16	Amendment to IAS 16 Property, Plant and Equipment (Annual Improvements)	1 Jan 2013
FRS 19	Employee Benefits (Revised)	1 Jan 2013
FRS 27	Consolidated and Separate Financial Statements (Amendments to)	1 Jul 2012
FRS 27	Separate Financial Statements (Revised)	1 Jan 2014
FRS 28	Investments in Associates and Joint Ventures (Revised)	1 Jan 2014
FRS 32	Amendment to FRS 32 Financial instruments: Presentation (Annual Improvements)	1 Jan 2013
FRS 107	Amendments to FRS 32 and 107 titled Offsetting Financial Assets and Financial Liabilities	1 Jan 2013
FRS 110	Consolidated Financial Statements	1 Jan 2014
FRS 111	Joint Arrangements(*)	1 Jan 2014
FRS 112	Disclosure of Interests in Other Entities	1 Jan 2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112	1 Jan 2014
FRS 113	Fair Value Measurements	1 Jan 2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine (*)	1 Jan 2013

(*) Not relevant to the entity.

STATISTICS OF SHAREHOLDINGS

AS AT 8 APRIL 2013

Issued and Fully Paid-up Share Capital	\$15,457,759.92
Number of shares	214,202,036
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
Treasury Shares	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	16	1.29	4,171	0.00
1,000 – 10,000	885	71.31	2,776,832	1.30
10,001 – 1,000,000	330	26.59	27,641,295	12.90
1,000,001 AND ABOVE	10	0.81	183,779,738	85.80
TOTAL	1,241	100.00	214,202,036	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	XU JIA ZU HOLDINGS PTE LTD	165,137,500	77.09
2	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	4,002,000	1.87
3	ERIC TANN KAH HUAT	3,383,000	1.58
4	DBS NOMINEES PTE LTD	2,448,238	1.14
5	GOH BOON KOK	2,150,000	1.00
6	TAN KIM TEE	1,840,000	0.86
7	HSBC (SINGAPORE) NOMINEES PTE LTD	1,730,000	0.81
8	CITIBANK NOMINEES SINGAPORE PTE LTD	1,050,000	0.49
9	KOH AH LECK	1,038,000	0.48
10	RAMESH S/O PRITAMDAS CHANDIRAMANI	1,001,000	0.47
11	KOH KOK NEO	999,000	0.47
12	TOK BOON SEONG	910,000	0.42
13	ONG HOCK HAI	903,000	0.42
14	TAN THIAN TIN	781,000	0.36
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	735,000	0.34
16	KOH HOO KWEE	706,000	0.33
17	OCBC SECURITIES PRIVATE LTD	687,048	0.32
18	YAP CHING SEOW	615,000	0.29
19	LAU CHAN @ LUA CHAN	600,000	0.28
20	LEE CHEE SENG	546,000	0.25
	TOTAL	191,261,786	89.27

STATISTICS OF SHAREHOLDINGS

AS AT 8 APRIL 2013

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as at 8 April 2013 as shown in the Register of Substantial Shareholders are:

Name	Number of Shares			
	Direct Interest	Deemed Interest	Total	%
Xu Jia Zu Holdings Pte Ltd	165,137,500	–	165,137,500	77.09
Richard Koh Chye Heng ¹	–	165,137,500	165,137,500	77.09
Koh Eddie ²	–	165,137,500	165,137,500	77.09
Indriati Khoe ³	–	165,137,500	165,137,500	77.09

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

COMPLIANCE WITH RULE 723 OF THE LISTING MANUAL SECTION B : RULES OF CATALIST OF THE SGX-ST

As at 8 April 2013, approximately 21.91% of the issued ordinary shares of the Company are held by the public. Rule 723 of the Listing Manual Section B: Rules of Catalist issued by SGX-ST has therefore been complied with.

APPENDIX

15 April 2013

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 2012 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 2013 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

"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

APPENDIX

"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 30 April 2012. Such renewal was expressed to take effect until the date of the forthcoming Annual General Meeting to be held on 30 April 2013. Accordingly, the Directors propose that the Shareholders' Mandate to be renewed at the Annual General Meeting to be held on 30 April 2013, 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.

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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			165,137,500	77.1
Richard Koh Chye Heng ²			165,137,500	77.1
Indriati Khoe ³			165,137,500	77.1
Xu Jia Zu Holdings Pte. Ltd.	165,137,500	77.1		

- ^{1.} Mr Koh Eddie holds 50% interest in Xu Jia Zu Holdings Pte Ltd.
- ^{2.} Mr Richard Koh Chye Heng holds 50% and 1 golden share in Xu Jia Zu Holdings Pte Ltd and by virtue of Xu Jia Zu Holdings Pte Ltd's 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 30 April 2012; 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.

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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 Tuesday, 30 April 2013 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 2012 together with the Auditor's Report thereon. **(Resolution 1)**
2. To re-elect the following Directors who are retiring under Article 107 of the Articles of Association:-
 - (a) Mr Koh Eddie **(Resolution 2)**
 - (b) Mdm Indriati Khoe **(Resolution 3)**
3. To consider and if thought fit, to pass the following Resolution:- **(Resolution 4)**

"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\$126,000 for the financial year ending 31 December 2013 to be paid half yearly in arrears (2012: S\$111,000). **(Resolution 5)**
5. 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:-

6. **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 of the Singapore Exchange Securities Trading Limited, 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

7. 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 15 April 2013 (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)

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

BY ORDER OF THE BOARD

Low Mei Wan
Toon Choi Fan
Company Secretaries

Singapore
15 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The Ordinary Resolution proposed in item no. 6, if passed, will empower the Directors, from the date of this Annual General Meeting until the next Annual General Meeting, to allot and issue new shares and/or convertible securities in the Company including a rights or bonus issue without seeking further approval from shareholders in general meeting for such purposes as the Directors consider would be in the best interests of the Company. The maximum number of shares which the Directors may issue pursuant to this Resolution shall not exceed the quantum set out in the Resolution.
2. The Ordinary Resolution proposed in item no. 7 is to renew the Shareholders' Mandate for transactions with interested persons and if passed, will empower the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" as defined in Chapter 9 of the Catalist Rules.

Notes:

1. A 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.

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 2012 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 Tuesday, 30 April 2013 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	For	Against
1.	Directors' Report and Accounts for the financial year ended 31 December 2012		
2.	Re-election of Mr Koh Eddie as Director		
3.	Re-election of Mdm Indriati Khoe as Director		
4.	Re-appointment of Mr Goh Boon Kok as Director		
5.	Approval of Directors' Fees for the financial year ending 31 December 2013		
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 _____ 2013

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

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

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 Low Mei Wan

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

8 Wilkie Road

#03-08 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

Australia and New Zealand Banking Group Limited

10 Collyer Quay

#20-00 Ocean

Financial Centre

Singapore 049315



Pan Asian Holdings Limited

(Company Registration No.: 197902790N)

2 Tractor Road
Singapore 627966
Tel : 65-6268 7227
Fax : 65-6268 9679
Email: pawater@panasian.com.sg
Website : www.pawater.com.sg

