Pan Asian Holdings Limited
百益勝控股有限公司

Annual Report 2014

THE BEST PARTNER *in fluid transportation, storage and piping infrastructure*

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Our
OBJECTIVE

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

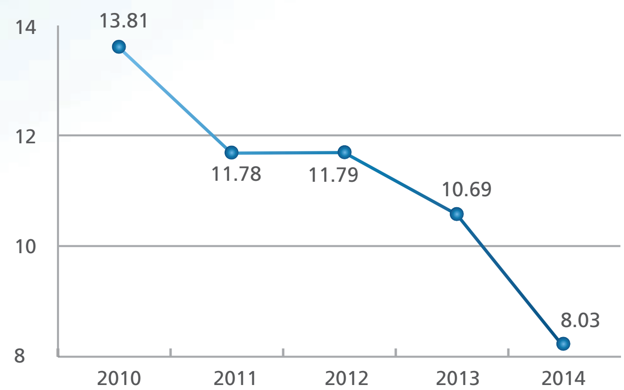
Our
VISION

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

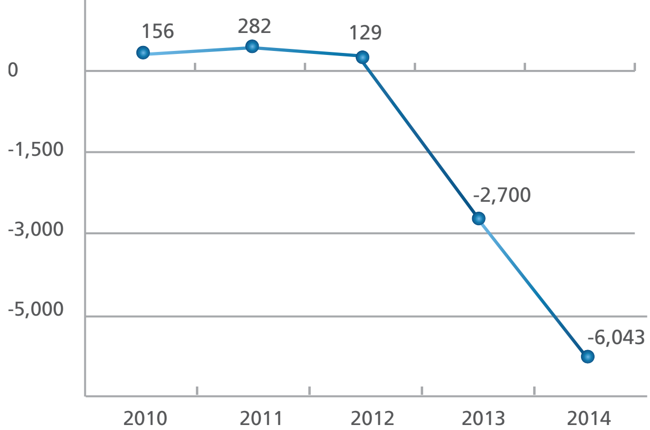
FINANCIAL
HIGHLIGHTS

TURNOVER ($' MILLION)

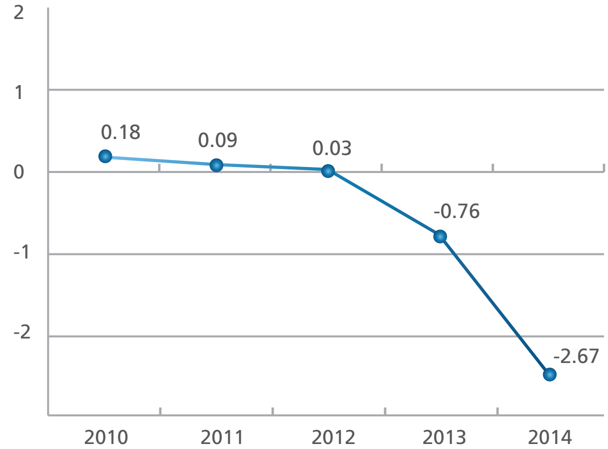
NET ASSETS PER SHARE (CENTS)



PROFIT, NET OF TAX ($'000)



EARNINGS PER SHARE (CENTS)



CORPORATE **PROFILE**

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

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

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

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

CHAIRMAN'S **STATEMENT**

RICHARD KOH CHYE HENG
EXECUTIVE CHAIRMAN
Pan Asian Holdings Limited

CHAIRMAN'S **STATEMENT**

DEAR VALUED SHAREHOLDER,

In the past 35 years, the Group has charted through many business cycles, showing resilience and emerging stronger from each cycle. For the financial year ended 31 December 2014 ("FY2014"), business conditions continued to remain challenging for the Group.

FINANCIAL PERFORMANCE

The Group reported a decrease in revenue of 2.8% to $46.9 million as compared to $48.2 million in FY2013. Gross profit margin also dipped slightly by 2.1% from 19.8% to 17.7% in the financial year under review. In addition, one-off impairment charges of $1.7 million and $0.3 million for goodwill and other assets respectively, as well as exchange losses of $0.5 million and costs pressure, resulted in a full year net loss of $6.0 million.

Despite the loss, the Group has managed to register a net operating cash flow of $2.9 million as it placed emphasis on cash and working capital management. The Group ended the year with $1.8 million cash and cash equivalents, representing 9.7% of its net asset position of $18.4 million and a healthy working capital position of $10.4 million.

HEALTHY ORDER BOOK

Furthermore, as at 31 January 2015, we have an order book of around $13.2 million, with $10.4 million being backlog orders from FY2014. Our focus in FY2015 remains to be on executing and delivering these orders smoothly, while keeping a tight watch on costs, so as to turn the Group around as soon as we can.

CHAIRMAN'S
STATEMENT

THE WAY FORWARD

The Group expects our operating environment to remain challenging and intensely competitive. While we focus on our core business and pursue expansion, it is imperative for the Group to remain nimble so as to better navigate through choppy waters. Our operations will continuously be assessed against risk exposure and various performance indicators. Where necessary, changes such as restructuring, relocation or tweaks in business plans will be carried out to protect and strengthen the Group's financial position.

Recently, as a result of our initiative to optimise our resources, we have decided to sell our current Singapore property and relocate our Singapore office. The Group is also continuously sourcing for opportunities to streamline and facilitate efficient deployment of the Group's resources. The Group will also continue to push ahead with our prudent market expansion strategy and expand the depth and breadth of our service offerings, leaning towards higher value product segments that yield better margins.

To increase our value-add, we are moving towards providing total piping solutions by looking into our customer requirements and packaging the right products to deliver efficient piping systems. Not only will this strategic shift better meet the unique needs of our customers, it will also set the Group apart from the competition.

Overall, the Group has a sound business foundation and infrastructure in place to tap the opportunities in our key markets, especially in Singapore and Greater China. We will continue to stay vigilant and take appropriate measures to facilitate customer retention and satisfaction.

WORDS OF APPRECIATION

On behalf of the Board of Directors, I would like to extend my appreciation to our management and staff for their commitment and hard work. To our valued stakeholders, I would also like to express my appreciation for their understanding and unwavering support over the years even as we ride through the difficult times. We are confident that the Group can emerge even stronger as we continue to forge on in our cause to create greater value for all our stakeholders.

RICHARD KOH CHYE HENG
Executive Chairman


SUPPORTING THE ENTIRE WATER CYCLE

BOARD OF **DIRECTORS**

RICHARD KOH CHYE HENG

EXECUTIVE CHAIRMAN

Date of appointment: 26 May 2008
Date of last re-appointment: 30 April 2012

Appointed as the Executive Chairman since March 2009, Mr Koh is responsible for the overall management of the Group's operations, as well as the formulating and implementing the Group's business strategies. As the founder and managing director of the Company from 1980 to 1991, Mr Koh was its chairman from 1991 to 2004. He resigned as a managing director in 2004 to pursue other business interests. From 2004 to March 2009, Mr Koh developed and managed a valve manufacturing business in the PRC, Duvalco Valves (Wuxi) Co., Ltd, where he is the director.

EDDIE KOH

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Date of appointment: 1 December 1989
Date of last re-appointment: 30 April 2013

Appointed as the Managing Director and Chief Executive Officer since May 2009, Mr Koh is responsible for the overall performance of the Group. Mr. Koh has extensive experience in the Group's operations and products. Mr. Koh joined the Group in 1991 as the Regional Sales Manager. Over the period of 20 years, Mr Koh has held various key positions in the Group and has been instrumental in its regional expansion. Mr. Koh holds a Bachelor of Engineering from National University of Singapore.

BOARD OF **DIRECTORS**

GOH BOON KOK
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment: 20 March 2009
Date of last re-appointment: 30 April 2014

A Chartered Accountant, Mr. Goh is the Principal of Goh Boon Kok & Co, an accounting firm established in Singapore since 1974. Prior to that, Mr Goh had more than 10 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. He is a fellow of the Chartered Institute of Management Accountants, UK, and associate of the Chartered Institute of Secretaries and Administrators, UK. Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore.

Mr Goh is also an independent director in Super Group Limited, Magnus Energy Group Ltd and GDS Global Limited, which are listed on the SGX-ST.

WU YU LIANG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment: 20 March 2009
Date of last re-appointment: 30 April 2014

Admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1986 and of the High Court of Malaya in 1991, Mr. Wu is currently the Managing Director of Wu LLC, a law corporation in Singapore. He advises on corporate and commercial laws in addition to litigation work. Mr Wu graduated in 1985 from the National University of Singapore with a degree in Bachelor of Laws with Second Class Honours (Upper Division).

He is also an independent director of Jiutian Chemical Group Limited, AusGroup Limited and China Environment Ltd, companies listed on the SGX-ST.

INDRIATI KHOE
NON-EXECUTIVE DIRECTOR

Date of appointment: 29 May 2009
Date of last re-appointment: 30 April 2013

Madam Khoe is a director of VIP-Polymers Pte Ltd. Madam Khoe holds a Bachelor of Business (Finance & Economics) degree from Curtin University of Technology in Australia and has over 20 years of financial management experience in the region.

MANAGEMENT TEAM

CORPORATE OFFICE

NEO LAY FEN
GROUP FINANCIAL CONTROLLER

Ms Neo joined the Group in August 2014 and is responsible for all financial, administrative and information technology matters for the Group. She started her career in 2003 in Ernst & Young LLP in audit.

She holds a Bachelor of Accountancy from Nanyang Technological University and is a non-practising member of the Institute of Singapore Chartered Accountants.

SINGAPORE OFFICE

KELLY KOH MEE LIN
SALES DIRECTOR

Ms Koh is responsible for the promotion and sales activities of core products of the Company into new markets. She is also responsible for the Company's project sales in the local market.

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

DOUGLAS CHEE BENG CHOON
GENERAL MANAGER
(SALES AND MARKETING AND ENGINEERING SUPPORT)

Mr Chee is responsible for the provision of engineering and marketing support to the Group as well as the exploration for business opportunities. Beside these responsibilities, he is also responsible for the Brunei, Cambodia and Vietnam markets.

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 20 years of experience in the industry.

TAN KOK CHENG
GENERAL MANAGER
(PRODUCTS)

Mr Tan is responsible for the Company's domestic sales of pipes, valves and fittings products focusing in the water and waste-water segments. He has developed a close network of customers for the Company over his more than 30 years of service.

Holding a pre-university qualification, Mr Tan has over 30 years of experience in the industry.

STEPHEN WEE
GENERAL MANAGER
(DUVALCO VALVES & FITTINGS PTE LTD)

Mr Wee is responsible for the sales and marketing of Duvalco Valves & Fittings Pte. Ltd. in various market segment throughout South East Asia excluding China. He has more than 15 years of experience in Heating Ventilation and Air Conditioning ("HVAC") in Building and Construction Sectors and more than 10 years of experience in Water and Wastewater treatment segment.

Mr Wee holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic, Diploma in Sales & Marketing from Marketing Institute of Singapore and Diploma in Marketing from Character Institute of Marketing from United Kingdom (CIMUK).

AUSTRALIA OFFICE

STEPHEN WARNER-JONES
GENERAL MANAGER
(W.D. MOORE (2013) PTY LTD)

Mr Warner-Jones is responsible for the overall activities of W.D. Moore (2013) Pty Ltd at their warehouse premises in Perth, Western Australia. His duties also encompass the product development for the products at the factory.

Holding a pre-university qualification with qualifications in Business Management and Foundry Management courses, Mr Warner-Jones has more than 39 years' experience in the Windmill industry.

HONG KONG OFFICE

HARVEY KWAN KOON HO
GENERAL MANAGER
(PAN ASIAN WATER SOLUTIONS (HK) LIMITED)

Mr Kwan is responsible for the subsidiary's overall sales, marketing and business developments, primarily in the marketing and promotion of our products and services to Hong Kong W.S.D., D.S.D., consultants and contractors. Mr. Kwan's responsibilities include regular updates of product information to customers, ensuring prompt deliveries to customers and monitoring of stock ordering.

Mr Kwan holds a Diploma in Mechanical Engineering awarded by Seneca College, Toronto, Canada and has more than 15 years of experience in the industry.

NETHERLANDS OFFICE

BERRY DE VOS
EXECUTIVE DIRECTOR
(DUVALCO B.V.)

Mr de Vos joined the Group in April 2011 and is responsible for the operations of the entity. He has more than 20 years of experience in the valve business and has served in different management function in the entity through the years.

Mr de Vos has a degree in Higher Technical School (production processes and management).

GROUP
STRUCTURE

Pan Asian Holdings Limited

- Pan Asian Holdings Limited (Vietnam) [Representative office]
- 100% Duvalco Valves & Fittings Pte. Ltd.
  - 100% Duvalco B.V.
  - 60% DWK Valves (Tianjin) Co., Ltd
    - 100% Shanghai Ji Xin Flow Control Co. Ltd
  - 50% Duvalco UK Limited
- 100% Pan Asian Eco Solutions Pte. Ltd.
- 100% Pan Asian HB Pte. Ltd.
- 76%* W.D. Moore (Asia) Pte. Ltd.
- 60% PA Tech (Asia) Pte. Ltd.
- 100% PA Corporation (M) Sdn. Bhd.
- 70% DVC Engineering & Trading Sdn. Bhd.
- 60% PVT Engineering Sdn. Bhd.
  - 100% GLS Tank Sdn. Bhd.
- 100% Pan Asian Water Solutions (HK) Limited
- 100% PA Water Solutions (Shanghai) Limited
  - 55% Pan Asian (Tianjin) Industrial and Trading Co., Ltd
- 100% Pan Asian Manufacturing (Tianjin) Co. Ltd
- 80% PA PTE (Thailand) Company Limited
- 51% PT. Pan Asian Water Solutions
- 100% W.D. Moore (2013) Pty Ltd
- 51% W.D. Moore Pty Ltd
- 50% Franklin Hodge Pte. Ltd.
  - 100% Franklin Hodge Sdn. Bhd.
- 50% S-Two (Asia) Pte. Ltd.
- 49% Duvalco Controls Company Limited

*effective interest.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Richard Koh Chye Heng
(Executive Chairman)

Eddie Koh
(Managing Director cum Chief Executive Officer)

Goh Boon Kok
(Lead Independent Director)

Wu Yu Liang
(Independent Director)

Indriati Khoe
(Non-Executive Director)

NOMINATING COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe

REMUNERATION COMMITTEE

Wu Yu Liang
(Chairman)

Goh Boon Kok

Indriati Khoe

AUDIT COMMITTEE

Goh Boon Kok
(Chairman)

Wu Yu Liang

Indriati Khoe

COMPANY SECRETARIES

Low Mei Wan
Lin Moi Heyang

REGISTERED OFFICE

2 Tractor Road
Singapore 627966

SHARE REGISTRAR

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS

RSM Chio Lim LLP
Public Accountants and chartered Accountants
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

AUDIT PARTNER

Terence Ang Keng Siang
(Effective from year ended 31 December 2014)

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay,
#10-00 income at Raffles,
Singapore 049318

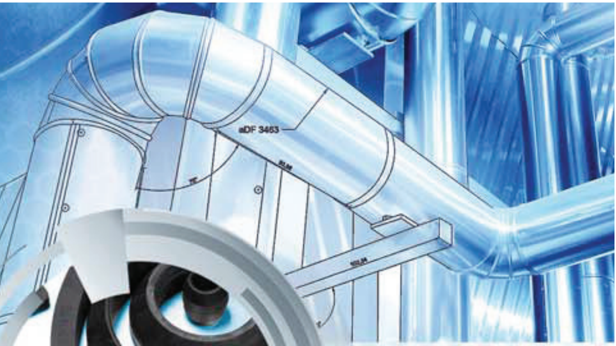
PRINCIPAL BANKERS

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

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

Australia and New Zealand Banking Group Limited
10 Collyer Quay
#20-00 Ocean Financial Centre
Singapore 049315

OPERATIONS **REVIEW**



In the financial year ended 31 December 2014 ("FY2014"), the Group witnessed lower sales in Singapore, Vietnam, Brunei and Europe. Sales however increased in Greater China region and Malaysia. Overall, this resulted in a 2.8% dip in overall revenue to $46.9 million. The lower sales in Singapore can be attributable to the slower than expected release of Public Utilities Board ("PUB") projects in the first quarter of 2014. The pick-up in the release of projects came late for us, hence contributing to the order book for backlog projects. The lower sales in Brunei was a result of a one-off huge sales order in the financial year ended 31 December 2013 ("FY2013"). Seeing the potential in the Brunei market, the Group has established a new subsidiary in Brunei in 2015 for the purpose of registering our products approval with the local authorities. As a result of the country's economic slowdown and lower demand for potable water, Vietnam sales continued its downwards trend in the current financial year under review. Europe sales also decreased as a result of manufacturing delay resulting in orders not being fulfilled in FY2014, which will be fulfilled in 2015. Sales in Greater China region increased on the back of increased projects in the region, whereas sales in Malaysia increased as the projects progressed smoothly during the financial year under review.

Gross profit declined 13.2% to $8.3 million, while gross profit margin slipped 2.1% to 17.7%.

On the overall, expenses such as marketing and distribution costs and administrative expenses decreased as a result of the Group's attempt to control cost. Other losses increased by 402.3% to $2.8 million as a result of the one-off impairment charges of $1.7 million and $0.3 million for goodwill and other assets respectively.

OPERATIONS REVIEW

The Group recorded a loss of $6.0 million after offsetting the increase in contribution from the Group's joint ventures as the Group starts to reap the financial benefits of entering into these joint ventures.

SEGMENTAL PERFORMANCE

The Valves segment, which represented 35.0% of total Group revenue, witnessed 11.1% drop in revenue to $16.4 million due to manufacturing issues encountered. Lower sales were also recorded for the Portable Water and Waste Water segments. Portable water, the second largest business segment contributing 25.6% of total sales, saw a 30.2% drop in revenue to $12.0 million due to lower demand in Singapore, Vietnam and Brunei markets. Waste Water segment, albeit a small segment, also declined from $0.9 million to $0.3 million as a result of fewer projects in FY2014. Revenue from Others segment increased 60.2% to $17.1 million due to the completion/progress of projects in Malaysia and increased sales in the marine sector. Revenue from NeWater segment increased slightly by $0.1 million due to the increase in completed projects in FY2014.

CASH FLOW

The net cash generated from operating activities improved to $2.9 million in FY2014. After the capital expenditure of $0.5 million and repayment of bank borrowings of $4.2 million, the Group's net cash and cash equivalents stood at $1.8 million as at 31 December 2014.

CORPORATE GOVERNANCE
STATEMENT

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

This Corporate Governance Report 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 2012 (the "Code"), and where applicable, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist (the "Catalist Rules") for the financial year ended 31 December 2014 ("FY2014").

The Company confirms that it has adhered to these principles and guidelines set out in the Code, where applicable, and has identified and explained areas of non-compliance in this report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

The Board comprises five directors, three of whom are Non-Executive Directors. The composition of the Board is as follows:

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

The Board's principal responsibilities are:

(a) to guide the formulation of the Group's overall long-term strategic objectives and directions. This includes setting the Group's policies and strategic plans and monitoring the achievement of these corporate objectives;

(b) to establish goals for management and monitor the achievement of these goals;

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

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

The Board has delegated certain functions to its key board committees, namely Audit Committee, Nominating Committee and Remuneration Committee, save for the following matters which are reserved for the Board's decision:

(a) the corporate strategy;

(b) the making of any decision to cease, to operate all or any material part of the business of the Group or to extend the Group's activities into new business;

(c) the approval of any material acquisition or disposal of any investment, asset or business by the Company or any of its subsidiaries;

(d) the approval of any changes relating to the Company's capital structure, including share issues and reduction of capital;

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

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

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

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

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

(j) the convene of shareholders' meetings; and

(k) any matter required to be considered or approved by the Board as a matter of law or regulation.

The Company's Articles of Association allows a Board meeting to be conducted by way of telephone or video conference. The Board conducts scheduled meetings at least four times a year and ad-hoc meetings will be convened as and when they are deemed necessary. At the meetings of the Board, all Directors are free to speak and openly challenge the views presented by Management and other Directors. The Board had also on various occasions used written resolutions by circulation to sanction certain decisions.

The number of Board and Board Committee meetings held during FY2014 and the attendance of each Director are as follows:

	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Name	**No. of Meetings held: 4**	**No. of Meetings held: 4**	**No. of Meeting held: 1**	**No. of Meetings held: 3**
		Number of Meetings Attended		
Richard Koh Chye Heng	4	NA	NA	NA
Koh Eddie	4	NA	NA	NA
Goh Boon Kok	4	4	1	3
Wu Yu Liang	4	4	1	3
Indriati Khoe	4	4	0	3

Note: NA – Not applicable

The Company will provide a formal letter to newly appointed Directors upon their appointment setting out their statutory duties and responsibilities as Directors. All new and existing Directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry specific knowledge. If the newly-appointed Director has no prior experience as a director of a listed company, training in relevant areas such as finance and legal, as well as industry-related areas will be provided.

Board members are encouraged to attend seminars and trainings to enhance their knowledge for them to discharge their duties and responsibilities. The Company works closely with the Sponsor, auditors, Company Secretary and other professionals to provide Directors with information relating to changes in relevant laws, listing manuals, regulations and accounting standards.

Principle 2: Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company endeavours to maintain a strong and independent element on the Board. The Board comprises of two (2) Executive Directors, one (1) Non-Executive Director and two (2) Independent Directors. Key information regarding the Directors is given in the section on "Board of Directors" of this annual report. The criteria of independence are based on the definition given in the Code. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

The independence of the Independent Directors are reviewed by the Nominating Committee annually, in accordance with the Code's definition of independence. The Nominating Committee has reviewed the 'Confirmation of Independence of Director' forms completed by each Director and is satisfied that the Independent Directors of the Company are independent and further, that no individual or small group of individuals dominate the Board's decision making process.

As of the date of this statement, there is no independent director who has been appointed for more than nine years from the date of his first appointment.

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations, with an objective of achieving a good mix and diversity of skills, experiences and gender. Details of which are as set out below. All board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	2	40%
Legal	1	20%
Relevant industry knowledge or experience	3	60%
Gender		
Male	4	80%
Female	1	20%

The Board members provide a range of core competencies in accounting, finance, legal, business management experience and expertise and industry knowledge that provide effective direction for the Group. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and oversee the Company.

The Independent Directors provide, amongst others, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategy. The Independent Directors also help to review the performance of the Management in meeting goals and objectives and monitor the reporting of performance. To facilitate a more effective check on the Management, the Independent Directors will arrange for meetings without the presence of the Management as and when required.

The Independent Directors have met four (4) times in the absence of the Management for the financial year in review.

The Board acknowledges that independent directors should make up at least half of the Board as the Executive Chairman and the Managing Director cum Chief Executive Officer of the Company are immediate family members and will adhere to the requirement of the Code on or before the financial year ending 31 December 2017.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

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

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

Mr Koh Eddie, Managing Director cum Chief Executive Officer of the Company, the son of the Executive Chairman, will be responsible for the day-to-day management and operations of the Group. Notwithstanding such relationship, there is no concentration of power as the Group is run objectively on a transparent basis as the Board feels that there is adequate representation of independent and Non-Executive Directors on the Board.

Mr Goh Boon Kok has been appointed as the Lead Independent Director of the Company and he is available to shareholders should they have concerns which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. The Lead Independent Director will meet the Independent Directors of the Company without presence of the other Directors, as and when required. Feedback will be given to the Chairman after such meetings.

The Executive Chairman, guided by recommendations provided by the Chairman of the respective committees, Group Financial Controller and the Company Secretary is responsible for, among others, to:

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

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate at the Board;

(d) ensure that the Directors receive complete, adequate and timely information;

(e) ensure effective communication with its shareholders;

(f) encourage constructive relations within the Board and between the Board and Management;

(g) facilitate effective contribution of Non-Executive Directors in particular; and

(h) promote high standards of corporate governance and assist in ensuring compliance of the Company's guidelines on corporate governance.

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

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

All the Nominating Committee members are Non-Executive Directors, two out of three of whom are independent directors. The Nominating Committee members are:

Wu Yu Liang	Chairman and Independent Director
Goh Boon Kok	Lead Independent Director
Indriati Khoe	Non-Executive Director

The Nominating Committee 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 Nominating Committee are as follows:

(a) to determine the criteria for the appointment of new Directors;

(b) to set up a process for the selection of such appointment;

(c) to review nominations for the appointment of Directors to the Board;

(d) to make recommendations to the Board on all board appointments;

(e) to re-nominate Directors having regard to the director's contribution and performance;

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

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

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

The Nominating Committee decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders value.

The Nominating Committee is of the view that despite some of the Directors having multiple board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. As time requirement of each director are subjective, the Nominating Committee has decided not to fix a maximum limit on the number of directorship a director can hold. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates.

The Articles of Association of the Company states that one-third of the Directors have to retire and subject themselves for re-election by the shareholders at every annual general meeting. In addition, all Directors of the Company shall retire from office at least once every three years.

The Nominating Committee is also charged with the responsibility of re-nomination of Directors, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director by his peers. Upon review, the Director is recommended to the Board for re-appointment. The Nominating Committee is satisfied that the performance criteria are satisfied for the financial year in review.

Mr Richard Koh Chye Heng is subject to re-election at the forthcoming annual general meeting 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 annual general meeting pursuant to Section 153 (2) of the Companies Act, Cap. 50.

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

The key information of the Directors as at the date of this report is set out below:

Name of Directors	Date of Initial Appointment as Director/ Date of Last Re-election / Re-appointment as Director	Directorship in Other Listed Companies and Other Principal Commitments	
		Current	Past 3 Years
Richard Koh Chye Heng (Executive Chairman)	26 May 2008 / 30 April 2012	-	-
Koh Eddie (Managing Director cum Chief Executive Officer)	1 December 1989 / 30 April 2013	-	-
Goh Boon Kok (Lead Independent Director)	20 March 2009 / 30 April 2014	Super Group Limited Magnus Energy Group Limited GDS Global Limited Goh Boon Kok & Co	Blumont Group Ltd
Wu Yu Liang (Independent Director)	20 March 2009 / 30 April 2014	Jiutian Chemical Group Limited China Environment Ltd AusGroup Limited Wu LLC	See Hup Seng Limited
Indriati Khoe (Non-Executive Director)	29 May 2009 / 30 April 2013	-	-

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The Nominating Committee has established an appraisal process to assess the performance and effectiveness of the Board (including Board Committees) as a whole as well as the contribution of individual Directors to the effectiveness of the Board on a yearly basis with inputs from the other Board members and the Chairman. It focuses on a set of criteria which include Board's conduct of meetings, maintenance of independence, board accountability, communication with management, etc.. The Nominating Committee also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board committees and their quality of participation at meetings. The performance criteria are not changed from year to year except when deemed necessary and justifiable. Where the performance criteria are deemed necessary to be changed, the onus should be on the Board to justify this decision.

The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the Nominating Committee, proposes new members be appointed to the Board or seeks the resignation of Directors.

The Nominating Committee reviews and determines the independence of each Director and assesses the effectiveness of the Board as a whole and of individual Directors. The Nominating Committee is of the opinion that each member of the Board had been effective during the year having regard to the active participation of each Board member during each Board and Committee meetings.

There was no external facilitator engaged for the evaluation process for the financial year in review.

Principle 6: Access to Information

In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Draft agendas for Board meetings are circulated to Directors in advance in order for them to suggest items for the agenda. 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. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. In additional, Management provides the Board with project briefs at an early stage to keep the Board abreast of the progress of the projects and potential business developments.

In order to aid the discharge of duties by the Board, Management provides operational reports and management accounts on a quarterly basis. Directors are entitled to request and Management is therefore expected to provide the Board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.

The Non-Executive Directors are always available to provide guidance to Management on business issues and in areas which they specialise in. The Directors also have direct access to Management, Sponsor and Company Secretary.

The Directors may communicate directly with Management and Company Secretary on all matters whenever they deem necessary, to ensure adherence to the Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring that procedures are followed.

Directors may, on a case-to-case basis, propose to the Board for independent and professional advice, at the Company's expense, where required.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Principle 8: Level of Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee comprises the following members:

Wu Yu Liang	Chairman and Independent Director
Goh Boon Kok	Lead Independent Director
Indriati Khoe	Non-Executive Director

All Remuneration Committee members are Non-Executive Directors, two out of three of whom are Independent Directors. The Remuneration Committee has experience in the field of executive compensation. The Remuneration Committee has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

The Remuneration Committee is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his own remuneration. The Remuneration Committee has adopted written terms of reference that defines its membership, roles and functions and administration.

The duties and responsibilities of the Remuneration Committee are as follows:

(a) to advise the Board on the framework of remuneration policies for the Directors and key executives;

(b) to review and recommend to the Board in consultation with senior Management a framework of remuneration for Executive Directors, Managing Director cum Chief Executive Officer and key executives;

(c) to review the remuneration packages of all managerial staff, if any, that are related to any of the Executive Directors or Chief Executive Officer; and

(d) to recommend to the Board in consultation with senior Management and the Chairman of the Board, the key executives' and other employees' incentive schemes.

In setting remuneration packages, the Remuneration Committee will take into account the performance of the Group as well as the Directors and key executives aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind. The Remuneration Committee's recommendations are made in consultation with the Executive Chairman of the Board and submitted for endorsement by the entire Board. No Director shall participate in decisions on his own remuneration. The payment of Directors' fees is subject to the approval of shareholders. The Remuneration Committee's role also includes the review of Executive Directors and key executives' contracts during termination, to ensure that such contracts of services contain reasonable termination clauses.

Remuneration matters relating to the Directors, Executive Chairman and the Managing Director cum Chief Executive Officer are the responsibility of the Remuneration Committee who will review and make necessary recommendations to the Board for approval. In respect of remuneration matters relating to the senior Management group, the Managing Director cum Chief Executive Officer will make recommendations for the Remuneration Committee's consideration and review. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

There was no remuneration consultants engaged for the financial year in review.

The remuneration of Executive Chairman, Mr Richard Koh Chye Heng is based on Service Agreement dated 2 April 2012 and the revised Service Agreement dated 1 January 2015. The revised Service Agreement has been renewed for another one (1) year with effect from 1 January 2015 and will be automatically renewed for subsequent one (1) year term, subject to a review by the Remuneration Committee.

The remuneration of Managing Director cum Chief Executive Officer, Mr Koh Eddie is based on Service Agreement dated 2 April 2012 and the revised Service Agreement dated 1 January 2015. The revised Service Agreement has been renewed for another one (1) year from 1 January 2015 and will be automatically renewed for subsequent one (1) year term, subject to a review by the Remuneration Committee.

The remuneration of the Non-Executive Directors is in the form of a fixed fee which is fixed after taking into consideration factors such as effort, time spent and responsibilities of the directors. Non-Executive Directors' fees are subject to shareholders' approval at the annual general meeting.

Annual reviews are carried out by the Remuneration Committee to ensure that key executives are appropriately rewarded, having due regard to the financial and commercial health and business needs of the Group.

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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

Fixed salary / 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 executives.

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

Variable

Variable salaries comprise of sales incentives.

Other Benefits

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

The breakdown of remuneration of the Directors and key executives of the Group (in percentage term) for FY2014 is set out below:

Name	Fixed Salary	Other Fees	Variable Benefits
Remuneration Band from $250,001 to $500,000			
Executive Directors			
Koh Eddie	97%	–	3%
Richard Koh Chye Heng	95%	–	5%
Remuneration Band up to $250,000			
Independent Directors			
Goh Boon Kok	100%	–	–
Wu Yu Liang	100%	–	–
Non-Executive Director			
Indriati Khoe	100%	–	–
Key Executives			
Berry de Vos	93%	–	7%
Harvey Kwan Koon Ho	49%	51%	–
Kelly Koh Mee Lin	89%	–	11%
Neo Lay Fen [(1)]	100%	–	–
Stephen Warner-Jones	100%	–	–
Teo Kok Meng [(2)]	100%	–	–

Note:
[(1)] Ms Neo Lay Fen was appointed as Group Financial Controller on 21 August 2014.

[(2)] Mr Teo Kok Meng resigned as Group Financial Controller on 21 August 2014.

The remuneration of the Directors and key executives is reviewed by the Remuneration Committee and is disclosed in the Annual Report.

The performance conditions used to determine the entitlement of the Executive Directors and key management personnel comprises of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Example of qualitative conditions are on the job performance, leadership, teamwork, etc. The performance conditions are set by the Remuneration Committee. The Remuneration Committee has reviewed and is satisfied that the performance conditions of the Directors and key executives were met for FY2014.

Save for Mr Richard Koh Chye Heng, Mr Koh Eddie (son of Executive Chairman), Ms Kelly Koh Mee Lin (daughter of Executive Chairman and sister of Mr Koh Eddie) and Ms Indriati Khoe (wife of Mr Koh Eddie) as disclosed above, we have one employee in the Group who is related to the Directors of the Company and whose remuneration exceeds $50,000 and is provided as follows:

Remuneration band and name of employees who are immediate family members	Relationship with the Directors or Chief Executive Officer of the Company	Designation
Remuneration Band from $50,001 to $100,000		
Betty Koh Guat Ying	Daughter of Mr Richard Koh Chye Heng, sister of Mr Koh Eddie and sister-in-law of Ms Indriati Khoe	Administrative Manager

For FY2014, there were no termination, retirement or post-employment benefits granted to the Directors, the Managing Director cum Chief Executive Officer and relevant key executives.

Given the highly competitive industry conditions, the Company believes that it is not in the best interest of the Company to fully disclose details of the remuneration of each individual Director and the aggregate remuneration paid to the key executives of the Group.

The Company does not have an employee share option scheme for the financial year in review.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to shareholders, the Board has a responsibility to present a fair assessment of the Group's financial performance and position including the prospects of the Group. The Board is mindful of the obligation to provide timely and fair disclosure of material information and price sensitive information. The Board is accountable to the shareholders while the Management is accountable to the Board.

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

Principle 11: Risk Management and Internal Controls

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

The Board has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational, compliance and information technology controls as well as risk management systems of the Group. Based on its assessment of work performed by the external auditors and internal auditor, the Board, with the concurrence of the Audit Committee, is of the view that the Groups' internal controls in addressing the financial, operational, compliance and information technology risks and the risk management systems are adequate and effective as at 31 December 2014.

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 acknowledges that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

The Board has also received assurance from the Managing Director cum Chief Executive Officer and Group Financial Controller that the financial records as at 31 December 2014 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems. The Company has also received assurance from the internal auditors that the Company's risk management and internal control systems are effective and adequate.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises three members, all of whom are Non-Executive, majority of whom, including Audit Committee Chairman, are independent of Management.

The members of the Audit Committee are:

Goh Boon Kok	Chairman and Lead Independent Director
Wu Yu Liang	Independent Director
Indriati Khoe	Non-Executive Director

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

The Company complies with Rules 712 and 715 read together with Rule 716 of the Catalist Rules.

The functions and responsibilities of the Audit Committee include the following:

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

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

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

(d) to review and approve interested person transactions;

(e) to assess the performance and cost-effectiveness of the internal and external independent auditors, approve their remuneration, and recommend to the Board their re-appointment;

(f) to review the independence and objectivity of the external 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 Audit Committee; and

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

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

The Audit Committee meets with the external auditors separately, at least once a year, without the presence of Management, whenever required. The Audit Committee has met with the external auditors one (1) time in the absence of the Management for the financial year in review.

The Audit Committee also reviews all non-audit services provided by the external auditors to ensure that the provision of these services does not affect the independence of the auditors. For the financial year ended 31 December 2014, RSM Chio Lim LLP only provided tax compliance services to the Company other than the audit services. The non-audit fee paid to RSM Chio Lim LLP amounted to $10,000 for FY2014. The Audit Committee was satisfied that provision of such services did not prejudice the independence and objectivity of the external auditors.

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. The Audit Committee upon receipt of complaints or allegations from any employee, determine if an investigation is necessary. If an investigation should be carried out, it will direct an independent investigation to be conducted on the complaint received. The Audit Committee and the Board will receive a report on that complaint and findings of investigation as well as a follow-up report on actions taken. There were no complaints received for FY2014.

The Audit Committee is kept abreast by the Management and the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

The Company has not put in place a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measure to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The appointment and removal of internal auditor is a matter of the Audit Committee. An internal auditor has been appointed by the Audit Committee to assist the Audit Committee to ensure that the Company maintains a robust and effective system of internal controls by regular monitoring of key controls, conducting audits of high risk areas and undertaking investigations as directed by the Audit Committee.

The internal auditor's primary line of reporting is to the Chairman of the Audit Committee. On an annual basis, the internal auditor prepares and executes a risk-based audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the system of internal controls of the Group. All audit findings are presented to the Audit Committee and the results of the findings are also shared with the external auditors.

SHAREHOLDER RIGHTS AND RESPONSIBLITIES

Principle 14:

Shareholder Rights
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15:

Communication with Shareholders
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company ensures to facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's share.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures that govern general meetings of shareholders. The Board welcomes questions from shareholders who wish to raise issues either formally or informally before or at the general meeting. The Chairpersons of the Board and Board Committees, and the external auditors, are normally available at the meeting to answer questions relating to the general meeting, work of their committees, conduct of audit and the preparation of the auditors' report.

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, including annual reports and other various media, are communicated to the shareholders through SGXNET as well as the corporate website (http://www.panasian.com.sg).

The Company does not have a dividend policy. As the Company is in a loss making position for FY2014 and its current priority is to achieve long-term growth for the benefit of its shareholders, its fund shall be reserved for future investment opportunities as general working capital for the Company's business. As such, no dividends are declared for FY2014. The Board would consider establishing a dividend policy at the appropriate time.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The annual general meeting is the principal forum for dialogue with shareholders. There is an open question and answer session at which shareholders may raise questions or share their views regarding the proposed resolutions and the Company's businesses and affairs.

In addition, the Chairman of the Board, the external auditors and the Sponsor will be present at the annual general meeting to address any queries from the shareholders. All minutes of general meetings are available to shareholders upon their request.

The Company's Articles of Association allow a member of the Company to appoint not more than two proxies to attend and vote at general meetings. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend the Articles to allow votes in absentia. All shareholders have the opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and done only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implication involved.

While acknowledging the voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness of conducting voting by poll. The Board will adhere to the requirement of Catalist Rules where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. All significant control policies and procedures are reviewed by Management and all significant matters are tabled to the Audit Committee and Board for review and deliberation.

DEALINGS IN SECURITIES

The Company has set out guidelines to the Directors and key executives of the Group in relation to dealings in the Company's securities. These guidelines prohibit the Company and its 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 Company, Directors and key executives of the Group are also advised not to deal in the Company's securities on short-term consideration.

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

INTERESTED PERSON TRANSACTIONS POLICY

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 FY2014 conducted pursuant to the shareholders' mandate obtained in accordance with Chapter 9 of the Catalist Rules and is satisfied that the transactions were on normal commercial terms.

The aggregate value of interested person transactions entered into during FY2014 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 $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to 920 (excluding transactions less than $100,000) $'000
Purchase from :		
Duvalco International Pte Ltd	–	280
Duvalco Valves & Fittings (Wuxi) Co. Ltd	–	4,768

MATERIAL CONTRACTS

There were no material contracts of the Company or any of its subsidiary companies involving the interests of the Executive Chairman, Managing Director cum Chief Executive Officer, other Director or controlling shareholder, either still subsisting at the end of FY2014 or entered into since the end of the previous financial year.

AUDIT AND NON-AUDIT FEES

The amount of fees paid to the external auditors, RSM Chio Lim LLP, in respect of audit and non-audit services for the year under review are $131,000 and $10,000, respectively.

The Audit Committee has reviewed and is of the opinion that the non-audit services rendered during FY2014 were not substantial.

CATALIST SPONSOR

The existing Sponsor, PrimePartners Corporate Finance Pte. Ltd., has been appointed as the continuing sponsor of the Company with effect from 1 July 2014. There was no non-sponsor fee paid to the existing Sponsor for the year under review.

UTILISATION OF PROCEEDS

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

CORPORATE SOCIAL RESPONSIBILITY

Apart from creating long term value for its stakeholders and upholding high standard of governance, the Company recognises the importance of environment sustainability and social responsibility.

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 2014.

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.

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:

	Deemed interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**
In the Company	**Number of shares of no par value**	
Richard Koh Chye Heng	165,137,500	165,137,500
Koh Eddie	165,137,500	165,137,500
Indriati Khoe	165,137,500	165,137,500

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

3. Directors' interests in shares and debentures (Continued)

Name of directors and companies in which interests are held	Direct interest At beginning of the reporting year	Direct interest At end of the reporting year
In the parent company – Xu Jia Zu Holdings Pte. Ltd.	**Number of shares of no par value**	
Richard Koh Chye Heng	750,050	750,050
	1 [(a)]	1 [(a)]
Koh Eddie	750,052	750,052

By virtue of section 7 of the Companies Act, Chapter 50, Richard Koh Chye Heng, Koh Eddie 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.

The directors' interest as at 21 January 2015 were the same as those at the end of the reporting year.

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.

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

6. **Independent auditor**

The independent auditor, RSM Chio Lim LLP, has 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 auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by 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 the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

8. **Directors' opinion on the adequacy of the internal controls**

Based on the internal controls established and maintained by the Company, work performed by the internal auditor and independent external auditor, relevant to their statutory audit, and reviews performed by management and other committees of the board, the Audit Committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2014.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 27 February 2015, 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 increase of $116,000 to loss, net of tax and an increase of $121,000 to total comprehensive loss for the year due primarily to audit adjustments made to certain subsidiaries' financial statements subsequent to the preliminary announcement.

On behalf of the directors

Richard Koh Chye Heng
Director

Koh Eddie
Director

1 April 2015

STATEMENT BY **DIRECTORS**

In the opinion of the directors,

(a) the accompanying consolidated statement of comprehensive income, statements of financial position, statements of changes in equity, consolidated statement of cash flows, and notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 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

1 April 2015

Report on the financial statements

We have audited the accompanying financial statements of Pan Asian Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of 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 statements of comprehensive income and statements of financial position and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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
AUDITOR'S REPORT

TO THE MEMBERS OF PAN ASIAN HOLDINGS LIMITED

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 2014 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.

Emphasis of matter

We draw attention to Note 29 to the financial statements which describes the uncertainty related to the outcome of the Group's application for further extension on the development of land in Tianjin Ecocity, People's Republic of China. Our opinion is not qualified in respect to this matter.

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
Chartered Accountants
Singapore

1 April 2015

Partner in charge of audit: Terence Ang Keng Siang
Effective from year ended 31 December 2014

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Notes	Group 2014 $'000	Group 2013 $'000
Revenue	5	**46,885**	48,209
Cost of sales		**(38,591)**	(38,657)
Gross profit		**8,294**	9,552
Other items of income			
Interest income		**10**	5
Other gains	6	**167**	208
Other items of expense			
Marketing and distribution costs	7	**(5,927)**	(5,963)
Administrative expenses	7	**(5,511)**	(5,533)
Finance costs		**(383)**	(256)
Other losses	6	**(2,813)**	(560)
Share of profit (loss) from equity-accounted joint ventures		**132**	(40)
Loss before tax		**(6,031)**	(2,587)
Income tax expense	9	**(12)**	(113)
Loss, net of tax		**(6,043)**	(2,700)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		**29**	255
Other comprehensive income for the year, net of tax		**29**	255
Total comprehensive loss		**(6,014)**	(2,445)
Loss attributable to owners of the parent, net of tax		**(5,721)**	(1,622)
Loss attributable to non-controlling interests, net of tax		**(322)**	(1,078)
Loss, net of tax		**(6,043)**	(2,700)
Total comprehensive loss attributable to owners of the parent		**(5,692)**	(1,367)
Total comprehensive loss attributable to non-controlling interests		**(322)**	(1,078)
Total comprehensive loss		**(6,014)**	(2,445)
Loss per share		**Cents**	Cents
Basic and diluted	10	**(2.67)**	(0.76)

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

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
	Notes	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**4,335**	6,694	**848**	2,696
Investments in subsidiaries	12	**–**	–	**10,356**	10,445
Investments in joint ventures	13	**242**	110	**105**	105
Intangible assets	14	**727**	2,456	**–**	–
Land use rights	15	**2,779**	2,821	**–**	–
Other assets	16	**103**	103	**103**	103
Deferred tax assets	9	**208**	165	**–**	–
Total non-current assets		**8,394**	12,349	**11,412**	13,349
Current assets					
Inventories	17	**7,112**	7,648	**3,786**	4,036
Asset held for sale under FRS 105	18	**2,128**	–	**2,128**	–
Trade and other receivables	20	**15,927**	20,927	**11,575**	16,667
Other assets	21	**2,791**	3,147	**293**	952
Cash and cash equivalents	22	**2,749**	4,951	**1,072**	2,328
Total current assets		**30,707**	36,673	**18,854**	23,983
Total assets		**39,101**	49,022	**30,266**	37,332
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	23	**15,300**	15,300	**15,300**	15,300
Other reserves	25	**47**	18	**–**	–
Retained earnings		**1,853**	7,574	**3,709**	7,596
Equity, attributable to owners of the parent, total		**17,200**	22,892	**19,009**	22,896
Non-controlling interests		**1,185**	1,507	**–**	–
Total equity		**18,385**	24,399	**19,009**	22,896
Non-current liabilities					
Deferred tax liabilities	9	**99**	192	**81**	81
Other financial liabilities	26	**346**	196	**222**	16
Total non-current liabilities		**445**	388	**303**	97
Current liabilities					
Income tax payable		**601**	539	**253**	253
Other financial liabilities	26	**7,495**	11,717	**5,102**	8,505
Trade and other payables	27	**12,175**	11,979	**5,599**	5,581
Total current liabilities		**20,271**	24,235	**10,954**	14,339
Total liabilities		**20,716**	24,623	**11,257**	14,436
Total equity and liabilities		**39,101**	49,022	**30,266**	37,332

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

Group:	Total Equity $'000	Non-Controlling Interests $'000	Attributable To Parent Sub-total $'000	Share Capital $'000	Retained Earnings $'000	Other Reserves $'000
Current year:						
Opening balance at 1 January 2014	**24,399**	**1,507**	**22,892**	**15,300**	**7,574**	**18**
Movements in equity:						
Total comprehensive (loss) income for the year	**(6,014)**	**(322)**	**(5,692)**	**–**	**(5,721)**	**29**
Closing balance at 31 December 2014	**18,385**	**1,185**	**17,200**	**15,300**	**1,853**	**47**
Previous year:						
Opening balance at 1 January 2013	24,614	2,461	22,153	13,194	9,196	(237)
Movements in equity:						
Total comprehensive (loss) income for the year	(2,445)	(1,078)	(1,367)	–	(1,622)	255
Issuance of shares (Note 23)	2,106	–	2,106	2,106	–	–
Disposal of non-controlling interest without a change in control (Note 12)	(38)	(38)	–	–	–	–
Incorporation of subsidiaries	162	162	–	–	–	–
Closing balance at 31 December 2013	24,399	1,507	22,892	15,300	7,574	18

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

STATEMENTS OF
CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

Company:	Total Equity $'000	Share Capital $'000	Retained Earnings $'000
Current year:			
Opening balance at 1 January 2014	**22,896**	**15,300**	**7,596**
Movements in equity:			
Total comprehensive loss for the year	**(3,887)**	**–**	**(3,887)**
Closing balance at 31 December 2014	**19,009**	**15,300**	**3,709**
Previous year:			
Opening balance at 1 January 2013	23,037	13,194	9,843
Movements in equity:			
Issuance of shares (Note 23)	2,106	2,106	–
Total comprehensive loss for the year	(2,247)	–	(2,247)
Closing balance at 31 December 2013	22,896	15,300	7,596

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	$'000	$'000
Cash flows from operating activities		
Loss before tax	**(6,031)**	(2,587)
Adjustment for:		
Depreciation of property, plant and equipment	**1,008**	984
(Gain) loss on disposal of plant and equipment	**(9)**	242
Impairment loss on goodwill	**1,729**	–
Amortisation of intangible asset	**–**	54
Amortisation of land use rights	**60**	60
Share of (profit) loss from equity-accounted joint ventures	**(132)**	40
Interest income	**(10)**	(5)
Interest expense	**383**	256
Operating cash flow before changes in working capital	**(3,002)**	(956)
Trade and other receivables	**4,911**	(1,621)
Other assets	**347**	(812)
Inventories	**536**	(696)
Trade and other payables	**88**	(3,025)
Net cash flows from (used in) operations	**2,880**	(7,110)
Income taxes paid	**(2)**	(152)
Net cash from (used in) operating activities	**2,878**	(7,262)
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	**119**	30
Purchase of property, plant and equipment (Note 22B)	**(580)**	(563)
Cash inflow from incorporation of subsidiaries	**–**	162
Investment in joint ventures (Note 13)	**–**	(50)
Reduction of non-controlling interest (Note 12)	**–**	(38)
Interest received	**10**	5
Net cash used in investing activities	**(451)**	(454)
Cash flows from financing activities		
Interest paid	**(383)**	(233)
Repayment of bank borrowings	**(4,213)**	–
Increase from new borrowings	**–**	6,391
Finance lease repayment	**(123)**	(29)
Issuance of shares (Note 23)	**–**	2,106
Net cash (used in) from financing activities	**(4,719)**	8,235
Net (decrease) increase in cash and cash equivalents	**(2,292)**	519
Effect of exchange rate changes on cash and cash equivalent	**142**	296
Cash and cash equivalents, statement of cash flows, beginning balance	**3,931**	3,116
Cash and cash equivalents, statement of cash flows, ending balance (Note 22A)	**1,781**	3,931

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

1. General

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

The board of directors approved and authorised these financial statements for issue on the date of the statement of directors.

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

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

The registered office is 2 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. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. 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 subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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 fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of comprehensive income is not presented.

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).

2. Summary of significant accounting policies (Continued)

Construction contracts – revenues and results

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year using the survey of work performed method. Contract costs consist of costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract 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 by 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 contract. Recognised revenues and profits are subject to revisions during the contract in the event that the assumptions regarding the overall contract 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 contracts have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

Employee benefits

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund which is the Central Provident Fund in Singapore (a government managed retirement benefit plan).

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

2. **Summary of significant accounting policies** (Continued)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions

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

Translation of financial statements of other entities

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

2. Summary of significant accounting policies (Continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Government grants

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

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 2.00% to 4.30%.
Plant and equipment	–	10.00% to 33.33%.

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

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Land use rights

Land use rights under operating leases are initially stated at cost and subsequently amortised on a straight-line basis over the remaining lease period of 48 years.

2. Summary of significant accounting policies (Continued)

Leases

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

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.

After initial recognition, an asset with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group's intangible assets consist of order backlog. The amortisable amount of an intangible asset is allocated based on the percentage of revenue recognised on contracts.

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.

2. Summary of significant accounting policies (Continued)

Subsidiaries

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

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

Joint arrangements – joint venture

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

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

2. Summary of significant accounting policies (Continued)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103.

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. For business combinations achieved in stages, any equity interest held in the acquiree is remeasured immediately before achieving control at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Where the fair values are measured 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 interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

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. 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.

2. Summary of significant accounting policies (Continued)

Goodwill (Continued)

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 any intangible asset with an indefinite useful life or any 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 represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets classified as held for sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by FRS 105 in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

2. **Summary of significant accounting policies** (Continued)

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following 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 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.

2. **Summary of significant accounting policies** (Continued)

Financial assets (Continued)

2. Loans and receivables (continued): 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 there were no financial assets classified in this category.

4. Available-for-sale financial assets: As at end of the year 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.

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. **Summary of significant accounting policies** (Continued)

Financial liabilities (Continued)

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.

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. 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.

Fair value of measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

2. Summary of significant accounting policies (Continued)

Fair value of measurement (Continued)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

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. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

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 survey of work performed 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. Revenue from construction contracts amount to $6,147,000 (2013: $3,886,000). If the estimated stage of completion were to increase or decrease by 10% from management estimates, the revenue would increase or decrease by approximately $615,000 (2013: $389,000) respectively.

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 $7,112,000 (2013: $7,648,000) and $3,786,000 (2013: $4,036,000) respectively.

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

2. Summary of significant accounting policies (Continued)

Critical judgements, assumptions and estimation uncertainties (Continued)

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 $4,335,000 (2013: $6,694,000) and $848,000 (2013: $2,696,000) respectively.

Measurement of impairment of subsidiaries and joint ventures:
Where a subsidiary or joint ventures is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is $1,799,000 (2013: $1,237,000) 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.

Assessment of impairment of goodwill:
An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units (“CGU”) and the use of estimates as disclosed in Note 14. Actual outcomes could vary from these estimates.

2. Summary of significant accounting policies (Continued)

Critical judgements, assumptions and estimation uncertainties (Continued)

Estimated impairment of land use rights and deposit paid to a contractor:
The Group has land use rights at a carrying value of $2,779,000 (2013: $2,821,000) and a deposit paid to a contractor of $1,380,000, net of impairment allowance (2013: $1,654,000) disclosed under Note 15 and Note 21 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. Details of the commitments are disclosed in Note 29. In management's judgement, the potential impairment of the land use rights and deposit paid to the contractor is unlikely under the circumstances. See Note 29 and Note 21 respectively 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). (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3A. Related companies:

The Company is a subsidiary of Xu Jia Zu Holdings Pte. Ltd., incorporated in Singapore, which 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 intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

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

3. Related party relationships and transactions (Continued)

3A. Related companies: (Continued)

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

	Ultimate parent company	
	2014	**2013**
	$'000	**$'000**
Rental income	**2**	2
Rental expense	**(17)**	(17)

3B. Related parties other than related companies:

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 non-current balances and financial guarantees, no interest or charge is imposed 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	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Royalty fees expense	**–**	–	**280**	227
Professional fee expense	**8**	7	**–**	–
Purchases of goods	**–**	–	**4,768**	3,451

3C. Key management compensation:

	2014	**2013**
	$'000	**$'000**
Salaries and other short-term employee benefits	**1,915**	1,553

3. Related party relationships and transactions (Continued)

3C. Key management compensation: (Continued)

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

	2014 $'000	2013 $'000
Remuneration of directors of the Company	**821**	680
Fees to directors of the Company	**131**	126
Fees to a firm in which a director is a member	**8**	7

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

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

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

Group	Director of a subsidiary	
	2014 $'000	**2013 $'000**
Other payables:		
At 1 January	**(12)**	(159)
Amounts paid in and settlement of liabilities on behalf of the Company	**(16)**	–
Amounts paid out and settlement of liabilities on behalf of a director of subsidiary	**–**	146
Other adjustments	**–**	1
At 31 December (Note 27)	**(28)**	(12)

3. Related party relationships and transactions (Continued)

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

Company	Subsidiaries	
	2014	**2013**
	$'000	**$'000**
Other receivables (payables):		
At 1 January – net debit	**3,530**	4,363
Amounts paid out and settlement of liabilities on behalf of subsidiaries	**1,171**	2,441
Amounts paid in and settlement of liabilities on behalf of the Company	**(2,447)**	(3,064)
Write back of allowance / (allowance) for impairment on other receivables	**136**	(210)
At 31 December – net debit	**2,390**	3,530

	Related parties			
	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables (payables):				
At 1 January – net (credit) debit	**(740)**	43	**(751)**	43
Amounts paid out and settlement of liabilities on behalf of related parties	**1,333**	222	**1,330**	211
Amounts paid in and settlement of liabilities on behalf of the Company	**(266)**	(1,005)	**(257)**	(1,005)
At 31 December – net debit (credit)	**327**	(740)	**322**	(751)

4. Financial information by operating segment

4A. Information about reportable segment profit or loss, assets and liabilities

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

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) Portable water, (2) Waste water, (3) NEWater, (4) Valves and (5) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

4. **Financial information by operating segment** (Continued)

4A. **Information about reportable segment profit or loss, assets and liabilities** (Continued)

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

(1) Portable water ("PW") – Pipelines linking the raw water collection points to the water purification plants, or the distribution pipelines bringing clean water supply to homes and industrial buildings;
(2) Wastewater ("WW") – Waste and sewer pipelines that channel the discharge of waste matter to the wastewater treatment plants for treatment before it is discharged into the sea or routed to other uses;
(3) NEWater ("NW") – Pipelines relating to NEWater treatment plants;
(4) Valves ("VA") – Valves for municipal and industrial applications; and
(5) Others – Pipelines relating to oil and gas industry.

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

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

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate a segment's operating results is gross profit.

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

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

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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue by segment														
External sales	**12,017**	17,215	**295**	930	**1,040**	928	**16,410**	18,450	**17,123**	10,686	**–**	–	**46,885**	48,209
Results :–														
Segment result	**2,869**	2,630	**91**	323	**47**	212	**3,235**	3,865	**2,052**	2,522	**–**	–	**8,294**	9,552
Interest income									**–**	–	**10**	5	**10**	5
Finance costs									**(42)**	(56)	**(341)**	(200)	**(383)**	(256)
Amortisation of intangible assets and land use rights									**(60)**	(114)	**–**	–	**(60)**	(114)
Depreciation of property, plant and equipment									**(101)**	(98)	**(907)**	(886)	**(1,008)**	(984)
Employee benefits expenses									**(567)**	(518)	**(6,917)**	(7,197)	**(7,484)**	(7,715)
Impairment of assets									**(1,729)**	–	**(276)**	–	**(2,005)**	–
Unallocated corporate expenses									**–**	–	**(2,946)**	(2,797)	**(2,946)**	(2,797)
Other (losses) gains									**(35)**	87	**(546)**	(325)	**(581)**	(238)
Share of profit (loss) from equity-accounted joint ventures									**–**	–	**132**	(40)	**132**	(40)
Loss before tax													**(6,031)**	(2,587)
Income tax expense													**(12)**	(113)
Loss, net of tax													**(6,043)**	(2,700)

4. Financial Information by operating segment (Continued)

4C. Assets, liabilities and reconciliations

Business segments	PW		WW		NW		VA		Others		Unallocated		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets														
Trade and other receivables	**4,358**	6,743	**708**	310	**62**	227	**5,339**	6,834	**5,460**	6,110	**–**	703	**15,927**	20,927
Property, plant and equipment									**282**	387	**4,053**	6,307	**4,335**	6,694
Cash and cash equivalents									**228**	31	**2,521**	4,920	**2,749**	4,951
Asset held for sale under FRS 105									**–**	–	**2,128**	–	**2,128**	–
Others									**–**	–	**13,962**	16,450	**13,962**	16,450
Total assets													**39,101**	49,022
Reportable segment liabilities														
Trade and other payables									**1,628**	1,803	**10,547**	10,176	**12,175**	11,979
Other financial liabilities									**642**	1,331	**7,199**	10,582	**7,841**	11,913
Others									**–**	–	**700**	731	**700**	731
Total liabilities													**20,716**	24,623
Capital expenditure									**2**	36	**895**	527	**897**	563

4. Financial information by operating segment (Continued)

4D. Geographical information

	Revenue	
	2014	**2013**
	$'000	**$'000**
Singapore	**11,892**	13,106
Australia	**1,589**	1,632
Brunei	**881**	5,858
China	**8,746**	5,329
Europe	**5,534**	6,659
Hong Kong	**3,594**	1,746
Indonesia	**40**	693
Malaysia	**8,895**	6,664
Vietnam	**565**	2,757
Others	**5,149**	3,765
Subtotal for all foreign countries	**34,993**	35,103
Total	**46,885**	48,209

	Non-current assets	
	2014	**2013**
	$'000	**$'000**
Singapore	**1,244**	2,922
Australia	**1,005**	1,216
China	**3,866**	4,021
Europe	**867**	948
Hong Kong	**11**	3
Indonesia	**1**	1
Malaysia	**1,190**	3,071
Thailand	**2**	2
Subtotal for all foreign countries	**6,942**	9,262
Total	**8,186**	12,184

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.

5. Revenue

	Group 2014 $'000	Group 2013 $'000
Sale of goods	**40,544**	44,150
Amount recognised from construction contracts	**6,147**	3,886
Rental income	**94**	98
Commission income	**79**	5
Other income	**21**	70
	46,885	48,209

6. Other gains and (other losses)

	Group 2014 $'000	Group 2013 $'000
Allowance for impairment on other assets (Note 21)	**(276)**	–
Amortisation of intangible asset (Note 14B)	**–**	(54)
Amortisation of land use rights (Note 15)	**(60)**	(60)
Bad trade debts written off	**(15)**	–
Foreign exchange adjustment (losses) gains	**(517)**	166
Gain (loss) on disposal of plant and equipment, net	**9**	(242)
Government grant	**100**	42
Impairment loss on goodwill (Note 14A)	**(1,729)**	–
Inventories written down (Note 17)	**(66)**	–
Inventories written off	**(6)**	–
Net allowance for impairment on trade receivables (Note 20)	**(144)**	(204)
Sundry income	**58**	–
Net	**(2,646)**	(352)
Presented in profit or loss as:		
Other gains	**167**	208
Other losses	**(2,813)**	(560)
Net	**(2,646)**	(352)

7. Marketing and distribution costs, and administrative expenses

The major components include the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Marketing and distribution costs		
Employee benefits expense (Note 8)	**4,121**	4,289
Administrative expenses		
Employee benefits expense (Note 8)	**2,633**	2,554
Depreciation of property, plant and equipment (Note 11)	**572**	587

8. Employee benefits expense

	Group	
	2014	**2013**
	$'000	**$'000**
Employee benefits expense	**6,692**	6,917
Contributions to defined contribution plan	**581**	556
Other benefits	**211**	242
Total employee benefits expense	**7,484**	7,715
The employee benefits expense is charged under:		
Administrative expenses (Note 7)	**2,633**	2,554
Cost of sales	**730**	872
Marketing and distribution costs (Note 7)	**4,121**	4,289
	7,484	7,715

9. Income tax

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

	Group 2014 $'000	Group 2013 $'000
<u>Current tax expense:</u>		
Current tax expense	**152**	133
Over adjustments in respect of prior periods	**(4)**	(4)
Subtotal	**148**	129
<u>Deferred tax credit:</u>		
Deferred tax credit	**(136)**	(16)
Subtotal	**(136)**	(16)
Total income tax expense	**12**	113

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% (2013: 17%) to profit or loss before income tax as a result of the following differences:

	Group 2014 $'000	Group 2013 $'000
Loss before tax	**(6,031)**	(2,587)
Less: Share of (profit) loss from equity-accounted joint ventures	**(132)**	40
	(6,163)	(2,547)
Income tax credit at the above rate	**(1,048)**	(433)
Effect of different tax rates in different countries	**(178)**	(285)
Non-deductible items	**367**	244
Deferred tax assets not recognised	**892**	565
Over adjustments in respect of prior periods	**(4)**	(4)
Other minor items less than 3% each	**(17)**	26
Total income tax expense	**12**	113

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

9. Income tax (Continued)

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

The major non-deductible items include the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Depreciation on non-qualifying plant and equipment	**14**	167
Impairment loss on goodwill	**362**	–

9B. Movements in deferred tax balance:

	Group	
	2014	**2013**
	$'000	**$'000**
Intangible asset acquired	**(6)**	–
Excess of book value of property, plant and equipment over tax values	**208**	23
Tax loss carryforwards	**790**	566
Wear and tear allowances carryforwards	**32**	(18)
Provisions	**4**	10
Unrecognised deferred tax assets	**(892)**	(565)
Total deferred tax income recognised in profit or loss	**136**	16

9. Income tax (Continued)

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

	Group	
	2014	2013
	$'000	$'000
Deferred tax assets (liabilities) recognised in profit or loss:		
Intangible asset acquired	**(19)**	(13)
Deferred income	**147**	147
Excess of book value of property, plant and equipment over tax values	**(48)**	(256)
Tax loss carryforwards	**1,528**	738
Wear and tear allowances carryforwards	**32**	–
Provisions	**74**	70
Unrecognised deferred tax assets	**(1,605)**	(713)
Net balance	**109**	(27)
Presented in the statement of financial position as follows:		
Deferred tax liabilities	**(99)**	(192)
Deferred tax assets	**208**	165
Net balance	**109**	(27)

	Company	
	2014	2013
	$'000	$'000
Deferred tax liabilities:		
Excess of book value of property, plant and equipment over tax values	**(64)**	(102)
Other temporary differences	**(17)**	–
Total deferred tax liabilities	**(81)**	(102)
Deferred tax assets:		
Tax loss carryforwards	**459**	167
Wear and tear allowances carryforwards	**31**	–
Provisions	**68**	57
Unrecognised deferred tax assets	**(558)**	(203)
Total deferred tax assets	**–**	21
Net deferred tax liabilities	**(81)**	(81)

9. Income tax (Continued)

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

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

The above deferred tax assets have not been recognised in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

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

10. Loss per share

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

	2014	**2013**
	$'000	**$'000**
A. Numerator: loss attributable to equity:		
Continuing operations:		
Total basic and diluted loss attributable to owners of the parent	(5,721)	(1,622)
B. Denominator: weighted average number of equity shares		
Basic and diluted	214,202	213,197

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

The basic loss per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

11. Property, plant and equipment

Group	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2013	3,351	7,960	11,311
Additions	29	534	563
Write off	–	(413)	(413)
Foreign exchange adjustments	10	(56)	(46)
At 31 December 2013	3,390	8,025	11,415
Additions	43	854	897
Disposals	–	(78)	(78)
Reclassification to asset held for sale under FRS 105 (Note 18)	(2,980)	(344)	(3,324)
Foreign exchange adjustments	(1)	(174)	(175)
At 31 December 2014	**452**	**8,283**	**8,735**
Accumulated depreciation:			
At 1 January 2013	719	3,128	3,847
Depreciation for the year	129	855	984
Disposals	–	(107)	(107)
Foreign exchange adjustments	–	(3)	(3)
At 31 December 2013	848	3,873	4,721
Depreciation for the year	130	878	1,008
Reclassification to asset held for sale under FRS 105 (Note 18)	(971)	(225)	(1,196)
Disposal	–	(75)	(75)
Foreign exchange adjustments	–	(58)	(58)
At 31 December 2014	**7**	**4,393**	**4,400**
Net book value:			
At 1 January 2013	2,632	4,832	7,464
At 31 December 2013	2,542	4,152	6,694
At 31 December 2014	**445**	**3,890**	**4,335**

11. Property, plant and equipment (Continued)

Allocation of the depreciation expense as follows:

	2014 $'000	2013 $'000
Cost of sales	268	259
Marketing and distribution costs	168	138
Administrative expenses (Note 7)	572	587
Total	1,008	984

Certain items are under finance lease agreements (see Note 26C).

Certain leasehold properties at a carrying value of approximately $128,000 (2013: $131,000) are mortgaged (see Note 26A).

Properties include buildings in the course of construction with a cost of approximately $316,000 (2013: $272,000).

Company	Leasehold properties $'000	Plant and equipment $'000	Total $'000
Cost:			
At 1 January 2013	2,952	2,538	5,490
Additions	28	153	181
At 31 December 2013	2,980	2,691	5,671
Additions	–	635	635
Disposal	–	(42)	(42)
Reclassification to asset held for sale under FRS 105 (Note 18)	(2,980)	(344)	(3,324)
At 31 December 2014	–	**2,940**	**2,940**
Accumulated depreciation:			
At 1 January 2013	713	1,927	2,640
Depreciation for the year	129	206	335
At 31 December 2013	842	2,133	2,975
Depreciation for the year	129	226	355
Disposal	–	(42)	(42)
Reclassification to asset held for sale under FRS 105 (Note 18)	(971)	(225)	(1,196)
At 31 December 2014	–	**2,092**	**2,092**
Net book value:			
At 1 January 2013	2,239	611	2,850
At 31 December 2013	2,138	558	2,696
At 31 December 2014	–	**848**	**848**

Certain items are under finance lease agreements (see Note 26C).

12. Investments in subsidiaries

	Company	
	2014	2013
	$'000	$'000
Cost	**12,397**	11,653
Additions	**2,000**	744
	14,397	12,397
Allowance for impairment	**(4,041)**	(1,952)
Total	**10,356**	10,445
Analysis of above amount denominated in non-functional currencies:		
Australian Dollars	**1,396**	1,396
Chinese Renminbi	**4,830**	4,830
Hong Kong Dollars	**586**	586
Indonesian Rupiah	**86**	86
Malaysia Ringgit	**3,299**	3,299
Thai Baht	**170**	170

	2014	2013
	$'000	$'000
Movement in allowance for impairment:		
At 1 January	**1,952**	553
Impairment loss included in other losses	**2,089**	1,399
At 31 December	**4,041**	1,952
Net book value of subsidiaries	**10,506**	11,027

Subsequent to the reporting year ended 31 December 2014, the Company entered into a Sales and Purchase agreement (the "S&P agreement") to dispose its entire 60% interest in the share capital of PVT Engineering Sdn. Bhd. ("PVT") for RM1,600,000 or approximately $605,000. See further details under Note 33. The cost of investment in PVT of $2,226,000 was impaired to its recoverable amount of $605,000 based on the agreed purchase consideration of $605,000, resulting in an impairment charge of $1,621,000.

In addition, the decreasing performance of Pan Asian HB Pte. Ltd. ("PAHB") and DVC Engineering & Trading Sdn. Bhd. ("DVC") (formerly known as "DVC Valves (M) Sdn. Bhd.") were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $315,000 and $152,000 respectively to write down the cost of investments to their recoverable amount.

During the reporting year ended 31 December 2013, W.D. Moore Pty Ltd ("WDM") was placed under liquidation. Accordingly, the cost of investment in WDM as at 31 December 2013 amounting to $1,002,000 was impaired in full. In addition, the decreasing performance of W.D. Moore (Asia) Pte. Ltd. ("WDMA") and PVT and its subsidiary were considered sufficient evidence to trigger an impairment test, resulting in an impairment loss amounting to $26,000 and $371,000 respectively to write down the cost of investments to their recoverable amount.

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**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**%**	**%**
Duvalco Valves & Fittings Pte. Ltd. (7) Singapore General importers and exporters of valves and investment holding (RSM Chio Lim LLP)	**3,000**	1,000	**100**	100
Pan Asian Eco Solutions Pte. Ltd. (4) (Formerly known as "PA Airwater Pte. Ltd.") Singapore Research and development and marketing of airwater dispensing machines (RSM Chio Lim LLP)	**–**	–	**100**	100
Pan Asian HB Pte. Ltd. Singapore Selling and distribution of bolt and nuts for oil and gas industry (RSM Chio Lim LLP)	**825**	825	**100**	100
W.D. Moore (Asia) Pte. Ltd. (5), (10) Singapore In process of striking off	**25**	25	**76**	76
PA Tech (Asia) Pte. Ltd. Singapore Supply marine and offshore products (RSM Chio Lim LLP)	**180**	180	**60**	60
PA Corporation Sdn. Bhd. (2) Malaysia General importers and exporters for pipes and valves (Baker Tilly Monteiro Heng)	**211**	211	**100**	100
DVC Engineering & Trading Sdn. Bhd. (2) (Formerly known as "DVC Valves (M) Sdn. Bhd.") Malaysia General importers and exporters of valves (Russ Ooi & Associates)	**490**	490	**70**	70

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	
	2014	2013	2014	2013
	$'000	$'000	%	%
PVT Engineering Sdn. Bhd. (2) Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application (Crowe Horwath)	**2,598**	2,598	**60**	60
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
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
Pan Asian Manufacturing (Tianjin) Co. Ltd (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
PA PTE (Thailand) Company Limited (3), (9) Thailand Exporting and importing of water treatment products	**170**	170	**80**	80
PT. Pan Asian Water Solutions (2) Indonesia Exporting and importing of products of water treatment (PT ASA Indonesia)	**86**	86	**51**	51
W.D. Moore (2013) Pty Ltd (1) Australia Supply of windmill and solar-powered water pumping systems (RSM Bird Cameron)	**394**	394	**100**	100

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	
	2014	2013	2014	2013
	$'000	$'000	%	%
W.D. Moore Pty Ltd [6] Australia Under liquidation	**1,002**	1,002	**51**	51
Total in the books of the Company	**14,397**	12,397		
Held by Duvalco Valves & Fittings Pte. Ltd.				
Duvalco B.V. [11] Netherlands Manufacturing of valves and fittings (RSM Tempelman)	**1,006**	1,006	**100**	100
DWK Valves (Tianjin) Co., Limited [1] (Formerly known as "Duvalco Valves (Tianjin) Co. Ltd") People's Republic of China Manufacturing of valves and fittings (RSM China Certified Public Accountants)	**1,487**	1,487	**60**	60
Held by DWK Valves (Tianjin) Co., Limited				
Shanghai Ji Xin Flow Control Co. Limited [1], [8] 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	**60**	60
Held by PVT Engineering Sdn. Bhd.				
GLS Tanks Sdn. Bhd. [2] Malaysia Trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application (Crowe Horwath)	**43**	43	**60**	60

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	
	2014	2013	2014	2013
	$'000	$'000	%	%
Held by PA Water Solutions (Shanghai) Limited				
Pan Asian (Tianjin) Industrial and Trading Co., Ltd (3) People's Republic of China In process of striking off	**55**	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 2014 have been used for consolidation purposes.

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

(5) 51% held by the Company, and 49% held by W.D. Moore Pty Ltd, a 51% owned subsidiary of the Group (see (6) below).

(6) On 11 July 2013, W.D. Moore Pty Ltd ("WDM") was placed under liquidation. Accordingly, the cost of investment in WDM amounting to $1,002,000 was impaired in full during the year ended 31 December 2013. Since WDM is under liquidation, an audit is not required by way of local jurisdiction.

(7) On 10 September 2014, a total of 2,000,000 ordinary shares of no par value were issued in Duvalco Valves & Fittings Pte. Ltd. by way of a capitalisation of loans payable to the Company amounting to $2,000,000.

(8) During the year ended 31 December 2013, Shanghai Ji Xin Flow Control Co. Limited ("SHJX") bought back RMB200,000 (approximately $38,000) of its share capital, representing its non-controlling interest of 40%. As at 31 December 2013, the Group's effective interest increased from 36% to 60% without a change in the Group's cost of investment.

(9) 31% of the shares in PA PTE (Thailand) Company Limited is held in trust, 49% of the shares are registered under the Company's name.

12. Investments in subsidiaries (Continued)

(10) The subsidiary is in the process of applying for strike off with the Accounting and Corporate Regulatory Authority.

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

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.

There are no subsidiaries that have non-controlling interests that are considered material to the reporting entity.

13. Investments in joint ventures

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Movements in carrying value:				
At 1 January	**110**	100	**105**	105
Additions	**–**	50	**–**	–
Share of profit (loss) for the year	**132**	(40)	**–**	–
At 31 December	**242**	110	**105**	105
Carrying value:				
Unquoted equity share at cost	**198**	198	**149**	149
Allowance for impairment	**–**	–	**(44)**	(44)
Share of post-acquisition profit (loss)	**44**	(88)	**–**	–
	242	110	**105**	105
Share of net book value of joint ventures	**248**	114	**248**	114
Analysis of above amount denominated in non-functional currency				
- Sterling Pound	**121**	63	**–**	–

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**	
	2014	**2013**
	%	**%**
Franklin Hodge Pte. Ltd. (Formerly known as "Franklin Hodge (Asia) Pte. Ltd.") Singapore Trading and manufacturing of engineering products and water work application (RSM Chio Lim LLP)	**50**	50

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 2014 %	2013 %
S-Two (Asia) Pte. Ltd. Singapore Trading of marine engine and ship parts (RSM Chio Lim LLP)	**50**	50
Duvalco Controls Company Limited [2], [3] Thailand Supply of piping systems, water tank system and related accessories	**49**	49
Held by Duvalco Valves & Fittings Pte. Ltd.		
Duvalco UK Limited [1], [2] United Kingdom Selling valves and pipes within United Kingdom	**50**	50
Held by Franklin Hodge Pte. Ltd.		
Franklin Hodge Sdn. Bhd. [1], [2] Malaysia Inactive (GEP Associates)	**50**	50

(1) On 1 November 2013, Duvalco Valves & Fittings Pte. Ltd., a wholly-owned subsidiary of the Company, entered into a joint venture agreement with VIP-Polymers Limited to acquire a 50:50 owned joint venture company in United Kingdom to sell valves and pipes within the United Kingdom. Pursuant to the joint venture agreement, Duvalco UK Limited issued 50,000 new shares at £1 per share. The Company and VIP-Polymers Limited subscribed 25,000 shares each, amounting to a cost of investment of approximately $50,000 each.

(2) Not audited as it is immaterial. The unaudited management financial statements at 31 December 2014 have been used for consolidation purposes.

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

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

	Group 2014 $'000	2013 $'000
Assets	**1,825**	1,300
Liabilities	**1,330**	1,066
Revenue	**7,294**	1,071
Profit (loss) for the year	**264**	(80)

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 2014 $'000	Group 2013 $'000
Goodwill (Note 14A)	**727**	2,456
Other intangible assets (Note 14B)	**–**	–
Total	**727**	2,456

14A. Goodwill

	Group 2014 $'000	Group 2013 $'000
<u>Cost:</u>		
At 1 January and 31 December	**2,456**	2,456
<u>Accumulated impairment:</u>		
At 1 January	**–**	–
Impairment loss recognised included in other losses (Note 6)	**(1,729)**	–
At 31 December	**(1,729)**	–
Net book value at 31 December	**727**	2,456

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 2014 $'000	Group 2013 $'000
<u>Name of subsidiary:</u>		
PVT Engineering Sdn. Bhd. and its subsidiary	**380**	2,109
DVC Engineering & Trading Sdn. Bhd.	**347**	347
	727	2,456

The goodwill of the subsidiaries above is included under the "Others" operating segment.

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use.

14. Intangible assets (Continued)

14A. Goodwill (Continued)

PVT Engineering Sdn. Bhd. ("PVT") and its subsidiary

The goodwill from PVT Engineering Sdn. Bhd. and its subsidiary ("PVT group") was tested for impairment as at 31 December 2014. The recoverable amount of PVT group was assessed based on the fair value of PVT group less costs of disposal. As disclosed in Note 12 and Note 33, subsequent to the reporting year ended 31 December 2014, the Company entered into an S&P agreement to dispose the PVT group for a purchase consideration of RM1,600,000 or approximately $605,000. The carrying amount of goodwill for PVT has therefore been reduced to its recoverable amount (Level 3) through an impairment loss against goodwill of $1,729,000 recognised in profit or loss (Note 6).

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

The goodwill for DVC was tested for impairment as at 31 December 2014. The recoverable amount of DVC has been determined based on its value in use method.

The value in use was measured by management using a discounted cash flow model covering a five years method of the CGU. 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 the historical trends of profit and loss. Cash flows projections for the next five years are estimated based on actual revenues of FY2014 at 10% growth rate for the next two years and 0% growth rate subsequently. A terminal growth rate of 0% was used. The terminal growth rate does not exceed the long-term growth rate of the sector. The value in use is a recurring fair value measurement (Level 3). A discount rate of 16% representing the subsidiary's weighted average cost of capital was used to discount the forecasted cash flow.

Based on the value in use assessment (Level 3) performed, no impairment charge was recognised because the shortfall between the carrying amount of the CGU and its recoverable amount was not material.

If a post-tax discount rate of 18% was used (which is 2% higher than management's estimates), an impairment of $44,000 would have been recognised.

Management is of the opinion that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount significantly. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the cash generating unit are consistent with those used for the measurement last performed.

14. Intangible assets (Continued)

14B. Other intangible assets

	Group 2014 $'000	Group 2013 $'000
Cost:		
At 1 January and 31 December	**597**	597
Accumulated amortisation:		
At 1 January	**597**	543
Amortisation for the year included in other losses (Note 6)	**–**	54
At 31 December	**597**	597
Net book value:		
At 1 January	**–**	54
At 31 December	**–**	–

Other intangible assets consist of order backlog.

15. Land use rights

	Group 2014 $'000	Group 2013 $'000
Cost:		
At 1 January	**2,924**	2,852
Foreign exchange adjustments	**25**	72
At 31 December	**2,949**	2,924
Accumulated amortisation:		
At 1 January	**103**	43
Amortisation for the year included in other losses (Note 6)	**60**	60
Foreign exchange adjustments	**7**	–
At 31 December	**170**	103
Net book value:		
At 1 January	**2,821**	2,809
At 31 December	**2,779**	2,821

The land use rights are for a piece of land situated in Tianjin Ecocity, People's Republic of China. The land use rights expire in year 2060 and are not transferrable. Certain commitments in relation to the land use rights are disclosed under Note 29.

16. Other assets, non-current

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Club memberships at cost	**105**	105	**105**	105
Less allowance for impairment	**(2)**	(2)	**(2)**	(2)
	103	103	**103**	103
Movement in allowance:				
At 1 January	**2**	2	**2**	2
At 31 December	**2**	2	**2**	2

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

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

17. Inventories

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Finished goods and goods for resale	**7,112**	7,648	**3,786**	4,036

Inventories are stated after allowance.

	Group		Company	
	2014	2013	2014	2013
Movements in allowance:				
At 1 January	**391**	393	**293**	302
Charge (reversed) to profit or loss included in other losses (gains) (Note 6)	**66**	–	**62**	(9)
Foreign exchange adjustments	**(3)**	(2)	**–**	–
At 31 December	**454**	391	**355**	293
Changes in inventories of finished goods	**536**	(696)		
Cost of inventories sold recognised in cost of sales	**35,346**	35,918		

Certain inventories are pledged as security for trust receipts (see Note 26A).

18. Asset held for sale under FRS 105

As disclosed in Note 33, the Company announced the sale of its leasehold property at 2 Tractor Road subsequent to the end of the reporting year.

The said leashold property and its attached renovation was presented as an asset held for sale as the decision to sell the leasehold property was made by management before the end of the reporting year date as part of the Group's plans to optimise its resources. The sale is expected to be completed by the third quarter of 2015.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Asset held for sale:				
Leasehold property at net book value (Note 11)	**2,009**	–	**2,009**	–
Plant and equipment at net book value (Note 11)	**119**	–	**119**	–
	2,128	–	**2,128**	–

19. Gross amount due from / (to) customers for construction contracts

	Group	
	2014	**2013**
	$'000	**$'000**
Aggregate costs incurred and recognised profits (less recognised losses) to date on projects	**7,056**	3,306
Less progress payments received / receivable and advances to date	**(7,017)**	(3,155)
Net amount arising from construction contracts at end of the year	**39**	152
Included in the accompanying statement of financial position as follows:		
Under trade receivables (Note 20)	**266**	185
Under trade payables (Note 27)	**(227)**	(33)
	39	152
Amount of contract retention receivables as an asset under trade receivables (Note 20)	**32**	79

20. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	**14,414**	19,876	**4,777**	8,793
Less allowance for impairment	**(366)**	(234)	**(97)**	(97)
Subsidiaries	**–**	–	**3,361**	3,390
Less allowance for impairment	**–**	–	**(32)**	–
Related parties	**388**	318	**304**	208
Receivables from customer on construction contracts (Note 19)	**266**	185	**–**	–
Retention receivables on construction contracts (Note 19)	**32**	79	**–**	–
Subtotal	**14,734**	20,224	**8,313**	12,294
Other receivables:				
Subsidiaries (Note 3) [(a)]	**–**	–	**3,185**	4,709
Less allowance for impairment	**–**	–	**(301)**	(437)
Related parties (Note 3)	**380**	23	**375**	12
Tax recoverable	**150**	239	**–**	–
Outside parties	**663**	441	**3**	89
Subtotal	**1,193**	703	**3,262**	4,373
Total trade and other receivables	**15,927**	20,927	**11,575**	16,667
Movements in above allowance:				
At 1 January	**234**	40	**534**	227
Net allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	**144**	204	**(104)**	307
Bad debts written off against allowance	**(6)**	–	**–**	–
Foreign exchange adjustments	**(6)**	(10)	**–**	–
At 31 December	**366**	234	**430**	534

(a) The amount include loans to subsidiaries totalling $1,157,000 as at 31 December 2014 (2013: $2,837,000), which are unsecured, with a tenure of 6 months and subject to automatic rollover, and carry an interest at 3% to 5% (2013: 5%) per annum payable upon repayment of the loans. The carrying amount is a reasonable approximation of fair value (Level 3). The amount was not past due.

21. Other assets, current

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Prepayments	**2,994**	3,057	**280**	936
Less allowance for impairment	**(285)**	–	**–**	–
Deposits to secure services	**82**	90	**13**	16
At 31 December	**2,791**	3,147	**293**	952
Movements in above allowance:				
At 1 January	**–**	–	**–**	–
Net allowance for impairment on trade receivables to profit or loss included in other losses (Note 6)	**276**	–	**–**	–
Foreign exchange adjustments	**9**	–	**–**	–
At 31 December	**285**	–	**–**	–

Prepayments of the Group include a deposit of $1,380,000, net of allowance for impairment (2013: $1,654,000) paid to a contractor to construct plant and equipment on the land in Tianjin Ecocity, People's Republic of China. See Notes 15 and 29 for further details. During the reporting year 31 December 2013, the Group commenced arbitration proceedings against the contractor for full recovery of the prepayment less costs incurred to date by the contractor. The arbitration is still in progress as at the date of these financial statements. In September 2014, the Wuxi Arbitration Committee appointed an independent third party surveryor to provide an Appraisal Report on the amount of work done by the contractor to estimate the cost incurred on the construction project. Based on the Appraisal Report, the estimated cost incurred by the contractor amounted to RMB1,337,000 or approximately $276,000. As a result, an allowance for impairment amounting to $276,000 was recognised in profit or loss included in other losses.

No impairment allowance has been made on the remaining prepayment as at 31 December 2014 as management has obtained an independent legal opinion that the likelihood of recovery is high. Management has also satisfied itself over the financial position of the contractor to meet its obligations.

22. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Not restricted in use	**2,749**	4,951	**1,072**	2,328

The interest earning balances are not significant.

22A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2014	2013
	$'000	$'000
Amount as shown above	**2,749**	4,951
Bank overdrafts (Note 26A)	**(968)**	(1,020)
Cash and cash equivalents for statement of cash flows purposes at end of the year	**1,781**	3,931

22B. Non-cash transactions:

During the reporting year there were plant and equipment of $317,000 (2013: $Nil) acquired by means of finance leases.

23. Share capital

	Number of shares issued	Share capital
	'000	$'000
Group and Company		
Ordinary shares of no par value:		
At 1 January 2013	187,876	13,194
Issue of shares by virtue of exercise of warrants at $0.08 each in reporting year ended 31 December 2013 (Note 24)	26,326	2,106
At 31 December 2013 and 31 December 2014	**214,202**	**15,300**

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

23. Share capital (Continued)

Capital management:

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with at least a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the year. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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

	Group	
	2014	**2013**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including finance leases	**7,841**	11,913
Less: cash and cash equivalents	**(2,749)**	(4,951)
Net debt	**5,092**	6,962
Adjusted capital:		
Total equity	**18,385**	24,399
Adjusted capital	**18,385**	24,399
Debt-to-adjusted capital ratio	**27.70%**	28.53%

24. 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 ended 31 December 2013, an aggregate of 26,326,000 new ordinary shares were issued by virtue of the exercise of 26,326,000 warrants at the stated exercise price, whereas a total of 35,798,000 warrants expired on 11 January 2013.

No warrants were outstanding at the end of the reporting year 31 December 2014 (2013: Nil).

25. Other reserves

	Group	
	2014	2013
	$'000	$'000
Foreign currency translation reserve (Note 25A)	(35)	(64)
Statutory reserves (Note 25B)	82	82
Total at the end of the year	47	18

25A. Foreign currency translation reserve

	Group	
	2014	2013
	$'000	$'000
At 1 January	(64)	(319)
Exchange differences on translating foreign subsidiaries	29	255
At 31 December	(35)	(64)

The currency translation reserve accumulates all foreign exchange differences.

25. Other reserves (Continued)

25B. Statutory reserves

	Group	
	2014	**2013**
	$'000	**$'000**
At 1 January and 31 December	**82**	82

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

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

26. Other financial liabilities

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Non-current:				
Finance leases (Note 26C)	**346**	196	**222**	16
Non-current, total	**346**	196	**222**	16
Current:				
Bank loans (Note 26B)	**4,029**	3,463	**2,736**	1,762
Trust receipts for purchase of inventories (Note 26A)	**2,372**	7,151	**2,292**	6,710
Finance leases (Note 26C)	**126**	83	**74**	33
Bank overdrafts (Note 26A)	**968**	1,020	**–**	–
Current, total	**7,495**	11,717	**5,102**	8,505
Total	**7,841**	11,913	**5,324**	8,521
The non-current portion is repayable as follows:				
Due within two to five years	**290**	196	**222**	16
Due after five years	**56**	–	**–**	–
Total	**346**	196	**222**	16

26. Other financial liabilities (Continued)

All the amounts are at floating interest rates except for finance leases that are on fixed interest rates (see Note 26C). The range of floating rate interest rates paid were as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Bank loans	**2.15 to 8.00**	2.14 to 7.80	**2.15 to 3.00**	2.14 to 2.66
Bank overdrafts	**5.00 to 8.80**	5.00 to 8.10	**5.00**	5.00
Trust receipts for purchase of inventories	**2.11 to 5.50**	1.50 to 5.50	**2.11 to 5.50**	1.50 to 5.50

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end of the reporting years are below six months (2013: six months).

26A. Bank overdraft and trust receipts for purchase of inventories

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

Certain bank overdrafts of a subsidiary as at 31 December 2014 and 2013 are secured and covered by:

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

26B. Bank loans

The bank loans agreements as at 31 December 2014 and 2013 are secured and covered by:

a. A negative pledge over the assets of the Company;
b. Corporate guarantee from the Company;
c. Personal guarantee from certain directors of a subsidiary; and
d. First party charge on a subsidiary's office property.

The loan agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans or other credit facilities becoming repayable immediately upon service of a notice of default by the lenders.

26. Other financial liabilities (Continued)

26B. Bank loans (Continued)

As at 31 December 2014, the Company has breached certain covenants of the bank facility amounting to $1,330,000. Arising from the non-compliance of the covenant mentioned, the bank is contractually entitled to request for immediate repayment of the outstanding bank facility amount. As these bank facilities obtained were of short term in nature, this has been presented as current liabilities in accordance with FRS 1 Presentation of Financial Statements. On 9 March 2015, the Company obtained a written letter of waiver of breach from the bank.

During the reporting year ended 31 December 2013, a subsidiary breached a loan agreement covenant in relation to its short-term bank loans and overdraft balances amounting to RM3,075,000 (approximately $1,186,000). As these bank facilities obtained were of short term in nature, this has been presented as current liabilities in accordance with FRS 1 Presentation of Financial Statements. The lender concerned has not made a demand for accelerated repayment as of the date of the report for the year ended 31 December 2013. The said covenant was not breached during the reporting year ended and as at 31 December 2014.

26C. Finance leases

Group

2014	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	**148**	**(22)**	**126**
Due within two to five years	**375**	**(29)**	**346**
Total	**523**	**(51)**	**472**

2013	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	100	(17)	83
Due within two to five years	219	(23)	196
Total	319	(40)	279

26. Other financial liabilities (Continued)

26C. Finance leases (Continued)

Company

2014	Minimum payments $'000	Finance charges $'000	Present value $'000
Minimum lease payments payable:			
Due within one year	**87**	**(13)**	**74**
Due within two to five years	**241**	**(19)**	**222**
Total	**328**	**(32)**	**296**

2013			
Minimum lease payments payable:			
Due within one year	38	(5)	33
Due within two to five years	20	(4)	16
Total	58	(9)	49

Net book value of plant and equipment under finance leases of the Group and the Company amounted to $770,000 (2013: $247,000) and $577,000 (2013: $46,000) respectively at the end of the reporting year.

It is a policy to lease certain of its plant and equipment under finance leases. The average lease term is three to five years. For the reporting year ended 31 December 2014, the rate of interest for finance leases ranges from 2.28% to 3.35% (2013: 2.50% to 3.35%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the Company. The carrying amount of the lease liabilities is not significantly different from the fair value (Level 2).

27. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	**7,948**	9,053	**2,866**	2,127
Related parties	**1,679**	494	**831**	164
Subsidiaries	**–**	–	**781**	1,781
Payable to customer on construction contracts (Note 19)	**227**	33	**–**	–
Subtotal	**9,854**	9,580	**4,478**	4,072
Other payables:				
Outside parties	**1,122**	725	**107**	1
Director of a subsidiary (Note 3)	**28**	12	**–**	–
Related parties (Note 3)	**53**	763	**53**	763
Subsidiaries (Note 3) [(a)]	**–**	–	**494**	742
Advances received from customers	**1,118**	899	**467**	3
Subtotal	**2,321**	2,399	**1,121**	1,509
Total trade and other payables	**12,175**	11,979	**5,599**	5,581

(a) Includes a loan from a subsidiary amounting to $189,000 (2013: $470,000). The loan is unsecured, with a tenure of 6 months and subject to automatic rollover, and carries an interest at 5% (2013: 5%) per annum payable upon repayment of the loan.

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	**2,749**	4,951	**1,072**	2,328
Loans and receivables	**15,927**	20,927	**11,575**	16,667
At 31 December	**18,676**	25,878	**12,647**	18,995
Financial liabilities:				
Other financial liabilities at amortised cost	**7,841**	11,913	**5,324**	8,521
Trade and other payables at amortised cost	**12,175**	11,979	**5,599**	5,581
At 31 December	**20,016**	23,892	**10,923**	14,102

Further quantitative disclosures are included throughout these financial statements.

28. Financial instruments: information on financial risks (Continued)

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 and foreign currency risk. 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 and credit 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.

28C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

28. Financial instruments: information on financial risks (Continued)

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.

Note 22 discloses the maturity of cash and cash equivalent balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 to 90 days (2013: 60 to 90 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
31 to 60 days	**1,040**	3,066	**380**	1,769
61 to 90 days	**1,549**	1,260	**593**	859
91 to 120 days	**823**	1,880	**751**	1,571
Over 120 days	**3,769**	4,845	**4,438**	3,432
Total	**7,181**	11,051	**6,162**	7,631

28. Financial instruments: information on financial risks (Continued)

28D. Credit risk on financial assets (Continued)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
91 to 120 days	**–**	71	**–**	71
Over 120 days	**366**	163	**129**	26

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 receivables customers as at the end of the reporting year:

- 21% (2013: 16%) of the Group's trade receivables were due from two major customers.
- 59% (2013: 37%) of the Company's trade receivables were due from two major customers.

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

28E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than one year	One to five years	Total
	$'000	**$'000**	**$'000**
Non-derivative financial liabilities:			
2014:			
Other financial liabilities	**7,517**	**375**	**7,892**
Trade and other payables	**12,175**	**–**	**12,175**
At 31 December	**19,692**	**375**	**20,067**
2013:			
Other financial liabilities	11,734	219	11,953
Trade and other payables	11,979	–	11,979
At 31 December	23,713	219	23,932

28. Financial instruments: information on financial risks (Continued)

28E. Liquidity risk – financial liabilities maturity analysis (Continued)

Company	Less than one year $'000	One to five years $'000	Total $'000
Non-derivative financial liabilities:			
2014:			
Other financial liabilities	**5,115**	**241**	**5,356**
Trade and other payables	**5,599**	**–**	**5,599**
At 31 December	**10,714**	**241**	**10,955**
2013:			
Other financial liabilities	8,510	20	8,530
Trade and other payables	5,581	–	5,581
At 31 December	14,091	20	14,111

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The maturity of the financial guarantees are less than one year.

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 (2013: 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial liabilities:				
Fixed rate	**472**	279	**296**	49
Floating rate	**7,369**	11,634	**5,028**	8,472
At 31 December	**7,841**	11,913	**5,324**	8,521

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.

28. Financial instruments: information on financial risks (Continued)

28G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

	US Dollars $'000	Japanese Yen $'000	Sterling Pound $'000	Euro $'000	Malaysia Ringgit $'000	Total $'000
Group						
2014:						
Financial assets:						
Cash	**466**	**3**	**590**	**465**	**1**	**1,525**
Receivables	**856**	**–**	**401**	**199**	**–**	**1,456**
Total financial assets	**1,322**	**3**	**991**	**664**	**1**	**2,981**
Financial liabilities:						
Borrowings	**901**	**–**	**–**	**–**	**–**	**901**
Payables	**1,840**	**49**	**1,291**	**734**	**–**	**3,914**
Total financial liabilities	**2,741**	**49**	**1,291**	**734**	**–**	**4,815**
Net financial (liabilities) assets at end of the year	**(1,419)**	**(46)**	**(300)**	**(70)**	**1**	**(1,834)**
2013:						
Financial assets:						
Cash	1,911	4	29	138	1	2,083
Receivables	3,586	–	239	174	–	3,999
Total financial assets	5,497	4	268	312	1	6,082
Financial liabilities:						
Borrowings	4,060	–	–	–	–	4,060
Payables	1,984	–	171	531	–	2,686
Total financial liabilities	6,044	–	171	531	–	6,746
Net financial (liabilities) assets at end of the year	(547)	4	97	(219)	1	(664)

28. Financial instruments: information on financial risks (Continued)

28G. Foreign currency risks (Continued)

	US Dollars $'000	Japanese Yen $'000	Sterling Pound $'000	Euro $'000	Australian Dollar $'000	Malaysia Ringgit $'000	Indonesia Rupiah $'000	Total $'000
Company								
2014:								
Financial assets:								
Cash	**108**	**3**	**581**	**269**	**–**	**1**	**–**	**962**
Receivables	**769**	**–**	**616**	**3,807**	**527**	**288**	**–**	**6,007**
Total financial assets	**877**	**3**	**1,197**	**4,076**	**527**	**289**	**–**	**6,969**
Financial liabilities:								
Borrowings	**822**	**–**	**–**	**–**	**–**	**–**	**–**	**822**
Payables	**1,611**	**49**	**608**	**480**	**–**	**30**	**2**	**2,780**
Total financial liabilities	**2,433**	**49**	**608**	**480**	**–**	**30**	**2**	**3,602**
Net financial assets (liabilities) at end of the year	**(1,556)**	**(46)**	**589**	**3,596**	**527**	**259**	**(2)**	**3,367**
2013:								
Financial assets:								
Cash	1,504	4	19	19	–	1	–	1,547
Receivables	3,292	–	264	3,307	479	288	–	7,630
Total financial assets	4,796	4	283	3,326	479	289	–	9,177
Financial liabilities:								
Borrowings	4,060	–	–	–	–	–	–	4,060
Payables	1,999	–	163	280	–	31	16	2,489
Total financial liabilities	6,059	–	163	280	–	31	16	6,549
Net financial assets (liabilities) at end of the year	(1,263)	4	120	3,046	479	258	(16)	2,628

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

28. Financial instruments: information on financial risks (Continued)

28G. Foreign currency risks (Continued)

Sensitivity analysis:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the following currencies with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of:				
- US Dollars	**142**	55	**156**	126
- Sterling Pound	**30**	(10)	**(59)**	(12)
- Euro	**7**	22	**(360)**	(304)
- Australian Dollar	**–**	–	**(53)**	(48)
- Malaysian Ringgit	**–**	–	**(26)**	(26)
- Japanese Yen	**5**	–	**5**	–

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 and related matters

Arising from the land use rights ("LURs") acquired (Note 15), the Group was originally scheduled to commence development on the land before 1 November 2011 and complete development on the land by 31 December 2012.

In March 2013, the Group obtained an extension from local authorities for the development on the land to be undertaken between 31 March 2013 and 1 April 2014. In March 2014, a further extension was obtained for development on the land to be undertaken between 1 June 2014 and 30 June 2015.

In the event that the Group is not able to complete development within the stipulated period, by 30 June 2015, approval for extension must be sought from the authorities six months in advance. In accordance with the LUR agreement, failure to complete development by the stipulated date may result in a possible confiscation of the land.

As at the date of these financial statements, the Group has yet to commence development on the land. However, management has commenced plans to develop the land in phases and has submitted the plans to the Tianjin authorities. Additionally, management is preparing to apply for a further extension to complete development on the land by 31 December 2015.

There is uncertainty over whether the Tianjin authorities would grant this further extension. In the event that approval for further extension to 31 December 2015 is not granted, the potential amount at risk to the Group arising from the confiscation of the land would be the carrying amount of the land amounting to $2,779,000 as at 31 December 2014 (see Note 15).

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Not later than one year	**338**	284	**247**	238
Later than one year and not later than five years	**976**	973	**953**	906
Later than five years	**2,463**	2,559	**2,463**	2,559
	3,777	3,816	**3,663**	3,703
Rental expense for the year	**670**	609	**262**	249

Operating lease payments represent rentals payable by the Group and Company for certain of its owned leasehold properties. The lease rental terms are negotiated for term of 1 to 24 years (2013: 1 to 24 years) and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Not later than one year	**43**	–	**43**	–
Rental income for the year	**94**	98	**94**	98

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 one year (2013: six months).

32. Contingent liabilities

	Company	
	2014	2013
	$'000	$'000
Guarantee in favour of subsidiaries (Note 3)	**4,387**	3,059

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 after the end of the reporting year

Incorporation of subsidiary

On 12 January 2015, the Company announced that it has incorporated a wholly-owned subsidiary, Pan Asian Holdings (B) Sdn Bhd, in Brunei Darussalam, with an initial investment of BND 2 or approximately $2.

Acquisition of non-controlling interest

On 27 January 2015, the Company acquired the remaining 49,000 shares, representing 49% of the paid-up share capital in PT. Pan Asian Water Solutions, incorporated in Indonesia, from its non-controlling shareholders for a total consideration of US$49,000 or approximately $65,000.

Disposal of subsidiary

On 17 February 2015, the Company entered into a Sales and Purchase Agreement to dispose its entire 60% interest in the share capital of its subsidiary, PVT Engineering Sdn. Bhd. to its non-controlling shareholder for an aggregate consideration of RM1,600,000 or approximately $605,000. The targeted completion date of the sale is March 2016.

33. Events after the end of the reporting year (Continued)

<u>Disposal of property</u>

On 24 February 2015, the Company announced that it has granted an option to purchase (the "Option") to an independent third party (the "Buyer") for the property located at 2 Tractor Road Singapore 627966. The Buyer has exercised the Option. The selling price of the property is $8.25 million. The asset has been classified as asset held for sale under FRS 105 as at the reporting year ended 31 December 2014 (see Note 18).

34. Changes and adoption of financial reporting standards

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities (*)
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

35. 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 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions (*)	1 Jul 2014
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 102 Share-based Payment (*) FRS 103 Business Combinations FRS 108 Operating Segments FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures FRS 38 Intangible Assets	1 Jul 2014
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103 Business Combinations FRS 113 Fair Value Measurement FRS 40 Investment Property (*)	1 Jul 2014
FRS 114	Regulatory Deferral Accounts (*)	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 Jan 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
FRS 115	Revenue from Contracts with Customers Illustrative Examples	1 Jan 2017
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 Jan 2016
Various	Improvements to FRSs (November 2014)	1 Jan 2016

(*) Not relevant to the entity.

STATISTICS OF
SHAREHOLDINGS

AS AT 17 MARCH 2015

Number of shares	:	214,202,036		
Class of shares	:	Ordinary shares		
Voting rights	:	On a show of hands	:	one vote for each member
	:	On a poll	:	one vote for each ordinary share
Treasury Shares	:	Nil		

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.88	58	0.00
100 - 1,000	372	32.66	370,108	0.17
1,001 - 10,000	437	38.37	2,185,332	1.02
10,001 - 1,000,000	308	27.04	27,513,800	12.85
1,000,001 AND ABOVE	12	1.05	184,132,738	85.96
TOTAL	1,139	100.00	214,202,036	100.00

TOP TWENTY SHAREHOLDERS AS AT 17 MARCH 2015	NO. OF SHARES	%
XU JIA ZU HOLDINGS PTE. LTD.	165,137,500	77.09
ERIC TANN KAH HUAT	3,383,000	1.58
TAN KIM TEE	3,001,000	1.40
MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,370,000	1.11
GOH BOON KOK	2,150,000	1.00
DBS NOMINEES PTE LTD	1,521,238	0.71
BNP PARIBAS NOMINEES SINGAPORE PTE LTD	1,366,000	0.64
RAMESH S/O PRITAMDAS CHANDIRAMANI	1,142,000	0.53
KOH AH LECK	1,038,000	0.49
RAFFLES NOMINEES (PTE) LTD	1,014,000	0.47
KOH HOO KWEE	1,006,000	0.47
TOK BOON SEONG	1,004,000	0.47
KOH GUAT YING BETTY	999,000	0.47
ONG HOCK HAI	903,000	0.42
KOH CHOON LEANG	861,000	0.40
PHILLIP SECURITIES PTE LTD	844,100	0.39
TAN THIAN TIN	781,000	0.37
OCBC SECURITIES PRIVATE LTD	710,048	0.33
HSBC (SINGAPORE) NOMINEES PTE LTD	700,000	0.33
YAP CHING SEOW	615,000	0.29
	190,545,886	88.96

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as at 17 March 2015 as shown in the Register of Substantial Shareholders are:

	NUMBER OF SHARES			
NAME	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 Chye Heng is holding 1 golden share in Xu Jia Zu Holdings Pte. Ltd. and by virtue of Xu Jia Zu Holdings Pte. Ltd.'s Memorandum and Articles of Association, he is deemed to have the ability to exercise dominant influence over the parent company as well as the listed company.

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

(3) 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..

PERCENTAGE OF SHAREHOLDING HELD BY THE PUBLIC

As at 17 March 2015, approximately 21.91% of the issued ordinary shares of the Company are held by the public. Rule 723 of the Listing Manual Section B: Rules of the Catalist issued by SGX-ST has therefore been complied with.

14 April 2015

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 2014 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 29 April 2015 at 9.00 a.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

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

Companies within our Group

"Company"	:	Pan Asian Holdings Limited
"Group"	:	Pan Asian Holdings Limited and its subsidiaries
"Duvalco BV"	:	Duvalco B.V., a wholly-owned subsidiary of Duvalco Valves
"Duvalco Tianjin"	:	DWK Valves (Tianjin) Co., Ltd, a 60% owned subsidiary of Duvalco Valves.
"Duvalco Valves"	:	Duvalco Valves & Fittings Pte. Ltd., a wholly-owned subsidiary company of the Company

Other Companies, Corporations or Organisations

"CDP"	:	The Central Depository (Pte) Limited
"Duvalco International" or "Licensor"	:	Duvalco International Pte. Ltd. (formerly known as Richards Valves Pte. Ltd.)
"Duvalco Wuxi"	:	Duvalco Valves (Wuxi) Co., Ltd (formerly known as Sinzhong Valves (Wuxi) Co., Ltd.
"SGX-ST" or "Stock Exchange"	:	Singapore Exchange Securities Trading Limited
"XJZ"	:	Xu Jia Zu Holdings Pte. Ltd.

General

"Act" or "Companies Act"	:	Companies Act (Chapter 50) of Singapore
"AGM"		Annual General Meeting
"Associate"	:	Shall have the meaning ascribed to the term in the Catalist Rules
"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.
"Catalist Rules"		The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, varied or supplemented from time to time
"CEO"	:	Chief Executive Officer
"Chargeable Consideration"		The total sales value of the Duvalco Products sold by the Group to third party customers
"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.
"Director"		A director of the Company for the time being
"Duvalco IP Rights"		All intellectual and/or industrial property rights of whatever nature and kind anywhere in the world, whether registrable or otherwise, in relation to the Duvalco Trademark and the Duvalco Products including without limitation rights to the Duvalco Trademark, all rights related to the Duvalco Products, confidential information regarding materials and specifications, patent rights, copyright, design rights, trade names, trademarks, service marks and other rights under general law associated therewith
"Duvalco Products"		Water and sanitary valves, fittings and ancillary products bearing the Duvalco Trademark which is owned by the Licensor
"Duvalco Trademark"		The "Duvalco" name, brand, marks and any other symbols or logos identified as Duvalco marks by the Licensor from time to time
"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.
"Interested Person Transaction"	:	Has the meaning ascribed thereto under Chapter 9 of the Catalist Rules
"Licence Agreement"	:	The licence agreement between the Company and the Licensor pertaining to the grant of licence to use the Duvalco IP Rights and the payment of the Royalty thereunder.

"Mandated Products"		The purchase of valves, wind-powered pump systems, accessories and other products from Duvalco Wuxi.
"Royalty"		The licence fees payable by the Company to the Licensor pursuant to the terms and conditions of the Licence Agreement
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include securities sub-account maintained with a Depository Agent.
"Shareholders"	:	Registered holders of Shares except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, means the persons to whose securities accounts maintained with CDP are credited with Shares
"Shareholders' Mandate"		The general mandate approved by Shareholders for the Group to enter into certain transactions with Duvalco Wuxi, being interested person transactions, in compliance with Chapter 9 of the Catalist Rules
"Shares"		Ordinary shares in the capital of the 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.

Reference to persons shall include corporations.

APPENDIX

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

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

1. INTRODUCTION

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

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

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

Pursuant to Chapter 9 of the Listing Manual, the general mandate was initially approved at the Extraordinary General Meeting held on as November 2013 and renewed at the Annual General Meeting held 30 April 2014 to take effect until the date of the forthcoming Annual General Meeting to be held on 29 April 2015. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the Annual General Meeting to be held on 29 April 2015, 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 Duvalco International, and Duvalco Wuxi and their Associates collectively (the "Interested Persons" and each an "Interested Person").

Duvalco International is a company incorporated in Singapore and the directors of Duvalco International are Richard Koh Chye Heng, the Executive Chairman of the Company and his sister, Koh Bee Soo. Duvalco International holds the Duvalco IP Rights and Duvalco Trademark, for which the Group pays a royalty to Duvalco International.

Duvalco Wuxi is wholly-owned by Richard Koh Chye Heng and is currently producing Duvalco Products for the Group.

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 to be covered by the Shareholders' Mandate are as follows:-

a. Payment of royalty to Duvalco International;

b. Purchase of valves, wind-powered pump systems, accessories and other products from Duvalco Wuxi; and

c. Supply of raw materials to Duvalco Wuxi.

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

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

2.4 **Review Procedures for Interested Person Transactions**

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

The following guidelines will be followed to assess whether the Interested Person Transactions with Duvalco International and Duvalco Wuxi are carried out at arms' length and on normal commercial terms:

(a) Payment of royalty to Duvalco International

To ensure that the payment of the Royalty to the Licensor is effected in accordance with the terms of the Licence Agreement, the payments will be properly documented and subject to the periodic review of the Audit Committee and/or the Independent Directors. In conducting the review, the Audit Committee will examine all information pertinent to the evaluation of the amounts paid or payable to the Licensor, including but not limited to the Group's relevant revenue records and monthly reports of Chargeable Consideration in respect of the Duvalco Products. Any member of the Audit Committee who is deemed interested in any such interested person transactions, shall abstain from reviewing, recommending and/or approving the payments.

(b) Supply of raw materials to Duvalco Wuxi

As the raw materials supplied to Duvalco Wuxi will be used to manufacture products to be sold to the Group, the price at which such raw materials will be sold by the Group to Duvalco Wuxi shall be based on a fixed 3% mark-up (the "Mark-Up") on the price at which the Group purchased the raw materials from third party suppliers ("Cost").

(c) Purchase of Mandated Products from Duvalco Wuxi

The price at which the Mandated Products are to be purchased by the Group from Duvalco Wuxi shall be the price comprising the Cost and Mark-Up, the operating costs of Duvalco Wuxi and the rental for the factory premises where the products are manufactured. In this regard:

Operating costs

Duvalco Wuxi will provide to the Group, on a monthly basis, supporting documentary evidence to show the operating costs of Duvalco Wuxi. Such operating costs shall include utility charges, manpower costs, direct overheads and administrative expenses. The Group's finance department shall review and verify the operating costs on a monthly basis and present them to the Audit Committee for review on a half-yearly basis.

For the avoidance of doubt, the direct overheads will comprise mainly direct labour costs and will not include property depreciation or rental-related costs.

In addition, on a half-yearly basis, the Group's Finance Department shall obtain quotations or market prices from at least two other unrelated third party manufacturers (where possible or available) in respect of the supply of substantially similar types of products, and submit the same to the Audit Committee for its review to ensure that the prices charged by Duvalco Wuxi shall not be less favourable than the most competitive prices offered by unrelated third party manufacturers.

In the event that a member of the Audit Committee is interested in the transactions with Duvalco Wuxi, he will abstain from participating in the aforesaid reviews.

Rental

The rental for the factory premises, which is owned by Duvalco Wuxi, shall be fixed at RMB1.2 million per year for a period of three years, which commensurate with the prevailing market rates, based on a valuation report by an independent valuer. After the initial period of three years, in order to determine the rental for the factory premises, the Company shall adopt measures such as making relevant inquiries with landlords of similar properties and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). Such information shall be submitted to the Audit Committee for its review and any revised rental rate shall be subject to the approval of the Audit Committee.

In the event that a member of the Audit Committee is interested in the transactions with Duvalco Wuxi, he will abstain from participating in the aforesaid review and approval.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Koh Eddie[1]			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 2014; and

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

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

5. DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors believe that the renewal of 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.

6. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

By virtue of its interest in the renewal of the Shareholders' Mandate of the Interested Party Transactions, the following persons:

(i) Mr Eddie Koh;
(ii) Mr Richard Koh Chye Heng;
(iii) Mdm Indriati Khoe; and
(iv) Xu Jia Zu Holdings Pte. Ltd.
(collectively as the "Relevant Persons")

holding collectively deemed and direct interests of 77.1% in the share capital of the Company, will abstain and has undertaken to ensure that its associates will abstain from voting on the ordinary resolution relating to the proposed renewal of the Mandate of the Interested Party Transactions at the forthcoming AGM.

Further, the Relevant Persons undertakes to decline to accept appointment as proxies to vote and attend at the forthcoming AGM in respect of the ordinary resolution relating to the Shareholders' Mandate of the Interested Party Transactions for other Shareholders of the Company unless the Shareholder concerned shall have given specific instructions as to the manner in which his/her/their votes are to be cast.

7. 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 7.

8. 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.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed transaction and the Shareholders' Mandate contemplated in this Appendix, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

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 Wednesday, 29 April 2015 at 9.00 a.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 2014 together with the Auditor's Report thereon. **(Resolution 1)**

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

3. To re-appoint Mr Goh Boon Kok, who is retiring in accordance with Section 153(2) of the Companies Act, Cap. 50, to hold office until the next Annual General Meeting. **(Resolution 3)**

   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 ("Catalist Rules"). Save as disclosed herein, Mr Goh does not have any relationship including immediate family relationship with the Directors, the Company or its 10% shareholders (as defined in the Code of Corporate Governance 2012). The detailed information of Mr Goh can be found under the section entitled "Board of Directors" on page 9 of the Annual Report.

4. To approve Directors' fees of $131,000 for the financial year ending 31 December 2015 to be paid half yearly in arrears (2014: $131,000). **(Resolution 4)**

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

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 6)**

   (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;

      (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,

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

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

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

   (See Explanatory Note 1)

7. **Renewal of Shareholders' Mandate for Interested Person Transactions** **(Resolution 7)**

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 14 April 2015 (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
Lin Moi Heyang
Company Secretaries

14 April 2015

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.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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

IMPORTANT
1. For investors who have used their CPF monies to buy shares of Pan Asian Holdings Limited, the Annual Report 2014 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)				

or failing *him/them, the Chairman of the Annual General Meeting of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 2 Tractor Road, Singapore 627966 on Wednesday, 29 April 2015 at 9.00 a.m. and at any adjournment thereof.

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

No.	Ordinary Resolutions	For	Against
1.	Directors' Report and Financial Statements for the financial year ended 31 December 2014		
2.	Re-election of Mr Richard Koh Chye Heng as Director		
3.	Re-appointment of Mr Goh Boon Kok as Director		
4.	Approval of Directors' Fees of $131,000 for the financial year ending 31 December 2015		
5.	Re-appointment of RSM Chio Lim LLP as Auditors		
6.	Approval for Directors to issue shares and convertible securities		
7.	Renewal of shareholders' mandate for transactions with interested persons of the Company		

Dated this ________day of _________________ 2015

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

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

*Delete accordingly

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.

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

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Website: www.panasian.com.sg