

PAN ASIAN WATER SOLUTIONS LIMITED
Registration No. 197902790N

ACQUISITION OF 60% ISSUED SHARE CAPITAL OF PVT ENGINEERING SDN BHD

The Board of Directors of Pan Asian Water Solutions Limited (the “**Company**”) wishes to announce that the Company has, on 7 June 2010, entered into a sale and purchase agreement with Messrs Nelson Dass and Leong Khai Cheong (collectively the “**Vendors**”) to acquire their respective 30% shareholdings in PVT Engineering Sdn Bhd (“**PVT Engineering**”) for an aggregate cash consideration of RM6.0 million (the “**Acquisition**”). Completion of the sale and purchase agreement is scheduled on 15 June 2010 or such other dates as the parties may agree.

PVT Engineering is a company incorporated in Malaysia and founded by the Vendors. Its core business is in trading of engineering products as well as design, supply and installation of pumping plants and storage water tanks for water works application. As at the date hereof, PVT Engineering has an issued and paid-up share capital of RM550,000 comprising of 550,000 ordinary shares of RM1 each.

The relative figures computed on the bases set out in Rule 1006 of the Listing Rules of Catalist of the Singapore Exchange Securities Trading Limited are set out below:-

(a) Net asset value of the assets to be disposed of, compared with the Company’s net asset value	Not applicable to an acquisition of assets
(b) Net profits attributable to the assets acquired, compared with the net profits of the Group of \$2,547,000 for FY2009 ⁽¹⁾⁽²⁾	9.76%
(c) Aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares (excluding treasury shares) and the volume-weighted average price of \$0.10 per share on 2 June 2010, being the last market day on which trading of the shares took place immediately preceding the date of the sale and purchase agreement in connection with the Acquisition ⁽²⁾	20.43%
(d) Number of equity securities issued by the Company as consideration for the acquisition	Not applicable

Notes:

(1) PVT Engineering’s audited net profit for the year ended 30 June 2009 was RM584,000.

(2) The exchange rate used was SGD1:RM2.35

As the relative figures computed above exceed 5% but are less than 75%, the Acquisition is not subject to shareholders’ approval.

CONSIDERATION FOR THE ACQUISITION

- (1) The total consideration to be paid by the Company to the Vendors in connection with the Acquisition (the "**Purchase Price**") shall be calculated based on 60% of four times the average profits before tax of PVT Engineering per year, for the financial years ending 30 June 2011 and 30 June 2012, provided always that the Purchase Price:-

- (a) shall not exceed the maximum sum of RM6.0 million; and
(b) shall not be less than the minimum sum of RM1.2 million.

By way of illustration, where the cumulative profits before tax of PVT Engineering for both FY2011 and FY2012 amount to RM3.0 million, then the average profits before tax shall be RM1.5 million and the Purchase Price shall be $60\% \times 1,500,000 \times 4 = \text{RM}3.6$ million. Where the cumulative profits before tax of PVT Engineering for both FY2011 and FY2012 amount to RM1.0 million or less, then the average profits before tax shall be taken as RM500,000 and the Purchase Price shall be $60\% \times 500,000 \times 4 = \text{RM}1.2$ million.

- (2) The Vendors warrant that the cumulative profits before tax of PVT Engineering for both the financial years ending 30 June 2011 and 30 June 2012 shall be RM5.0 million ("**Profit Target**"). Based on this Profit Target, the Company agrees to pay the maximum Purchase Price of RM6.0 million only, even if the cumulative profits before tax of PVT Engineering for both the financial years ending 2011 and 2012 exceeds the Profit Target. However, if the Profit Target is not met, the actual Purchase Price shall be adjusted upon the determination of the actual average profits before tax per year of PVT Engineering in accordance with the formula set out in section (1) above.
- (3) On completion, the Vendors shall be paid RM1.2 million, with the balance Purchase Price of RM4.8 million ("**Balance Purchase Price**") being held by a stakeholder in Malaysia. The Balance Purchase Price (together with all interest earned thereon) shall be payable to the Vendors in two (2) tranches, i.e. following the determination of the profits before tax of PVT Engineering for financial year ending 30 June 2011 ("**1st Tranche**") and thereafter for financial year ending 30 June 2012 ("**2nd Tranche**"), respectively.

By way of illustration, if the profits before tax of PVT Engineering for FY2011 amount to RM3.0 million, then the 1st Tranche payment shall be $[60\% \times 3,000,000 \times 4] / 2] - 1,200,000 = \text{RM}2,400,000$. If the profits before tax of PVT Engineering for FY2012 amount to RM1.5 million, then the 2nd Tranche payment shall be $60\% \times 1,500,000 \times 4) / 2 = \text{RM}1,800,000$.

By way of illustration, if the profits before tax of PVT Engineering for FY2011 amounted to RM3.0 million but incurred a loss of RM1.0 million for FY2012, then the Balance Purchase Price payable by the Company to the Vendors shall be $[60\% \times 2,000,000 \times 4] / 2] - 1,200,000 = \text{RM}1,200,000$. Since a 1st Tranche payment of RM2,400,000 would have been made, the Vendors would have to refund the difference of RM1,200,000 to the Company .

- (4) The profits before tax of PVT Engineering shall be determined by its auditors (the "**Auditor**") no later than three (3) months from 30 June 2011 and 30 June 2012, based on the consolidated accounts of the PVT Engineering and its subsidiary using international financial reporting standards. The parties agree that the Auditor shall be a Malaysian firm of auditors recommended by the Company's auditors.

RATIONALE FOR THE ACQUISITION

The investment would enable the Company to:

- (a) scale the necessary learning curve and save on time and financial resources to build its sales network in Malaysia from scratch;
- (b) have immediate sales opportunities for its products by tapping on the Investment's existing marketing network; and
- (c) Increase product offerings to its existing customers by tapping on the products produced or marketed by PVT Engineering.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

The financial effects of the Acquisition set out below are for illustration purposes and do not reflect the actual future financial position of the Group after the completion of the Acquisition. The financial effects of the Acquisition have been computed based on the audited financial statements of the Group for the financial year ended 31 December 2009, and have not made any adjustments to take into account the different financial year ends of the Company and PVT Engineering.

	Before Acquisition (Cents)	After Acquisition (Cents)
Net tangible assets value per share of the Company assuming that the Acquisition has been completed on 31 December 2009	14.83	14.83
Earnings per share of the Company assuming that the Acquisition has been completed on 31 December 2009	2.00	2.20

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect in the above transaction.

BY ORDER OF THE BOARD

Richard Koh Chye Heng

Executive Chairman

Date: 7 June 2010

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

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