STANDARD & POOR'S

Pan Asian Water Solutions

Bloomberg: **PAWS SP** | Reuters: **PANA.SI** | Price: **SGD0.11** | Date: **April 5, 2010**

GICS: Industrials/Industrial Machinery

Business Summary: Incorporated in 1979, Pan Asian Water Solutions Limited (PAWS) provides piping system solutions primarily to the water purification and wastewater treatment industry.

Country of Incorporation: Singapore

Head Office Location: 2, Tractor Road, Singapore 627966

Place of Operations: Singapore

Website: www.pawater.com.sg

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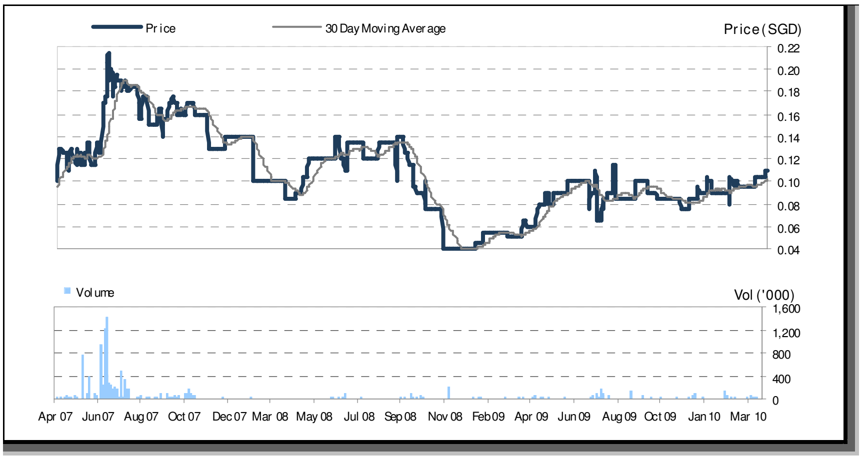
Analyst: Lorraine Tan, CFA / Chok Wai Lee, CFA



Investment Highlights

- PAWS provides piping system solutions primarily to the water purification and wastewater treatment industry. Starting as a trading firm, PAWS has established long-term relationships with its principals and can offer a wide product range of over 750 items representing a variety of global brands. In addition, PAWS also owns its inhouse brand of *PA* ductile iron pipes and fittings. The group supplies pipes and accessories to public utilities projects in various countries.
- Furthermore, PAWS provides value-added fabrication services to its customers through the use of an automatic welding process, which produces high quality welded-on flanged ductile iron pipes. This adds to the quality of its products and shortens the group's delivery times.
- PAWS has budgeted SGD5.0 mln in 2010 to expand its manufacturing and logistics base in Tianjin Eco-City. This move should enable it to lower its cost structure and compete more effectively in price-sensitive markets, while building product sales to foreign-funded water projects in China.
- We estimate that PAWS' net profit will fall 14.6% YoY to SGD2.1 mln in 2010, mainly due to higher administrative expenses from its newly set up representative offices. As such, operating margin is expected to fall to 5.0% from 6.4% in 2009. Nonetheless, we believe PAWS' business expansion efforts should bear fruit in the mid to long term.

Key Investment Risks

- **Raw materials.** PAWS is exposed to volatile iron prices. The inability to pass on any cost increase and/or any delay in passing on the cost increase to its customers will hurt margins and depress earnings.
- **Loss of distribution rights.** There are risks of PAWS losing its distribution rights from its principals, which could hurt sales.
- **Economic cycle.** The dependence on water infrastructure spending makes PAWS more vulnerable to industry cycles and economic downturns. Even though water consumption is stable, fresh investment in new water plants may be impacted by economic swings and financial system interruptions. A prolonged global economic downturn will affect demand for piping systems and negatively impact PAWS' earnings.
- **Low trading volume.** PAWS' shares are thinly traded, with an average daily volume of around 45,000 shares, which in our view may result in share price volatility and add trading risk.

Key Stock Statistics

52-week Share Price Range (SGD)		0.06 - 0.12
Avg Vol - 12 months ('000 shares)		45.3
Price Performance (%)	- 1 month	15.8
	- 3 month	10.0
	- 12 month	83.3
No. of Outstanding Shares (mln)		125.0
Free Float (%)		20.0
Market Cap (SGD mln)		13.8
Enterprise Value (SGD mln)		3.5
Major Shareholders (%)		
Xu Jia Zu Holdings Pte Ltd		80.0

Per Share Data

FY Dec.	2008	2009	2010E	2011E
Book Value (SG cents)	13.52	14.83	15.53	16.37
Cash Flow (SG cents)	6.9	2.3	1.9	2.3
Reported Earnings (SG cents)	2.1	2.0	1.7	1.8
Dividend (SG cents)	0.5	1.0	1.0	1.0
Payout Ratio (%)	23.5	50.0	58.6	54.6
PER (x)	5.2	5.5	6.4	6.0
P/Cash Flow (x)	1.6	4.7	5.8	4.8
P/Book Value (x)	0.8	0.7	0.7	0.7
Dividend Yield (%)	4.5	9.1	9.1	9.1
ROE (%)	16.9	14.1	11.2	11.5
Net Gearing (%)	28.3	0.0	0.0	0.0

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Pan Asian Water Solutions

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Background

Pan Asian Water Solutions Limited (PAWS) provides piping system solutions for infrastructure development in the water industry, catering specifically to the water purification and wastewater treatment industry. The company aims to meet the full suite of client needs including system design, installation and the end products (essentially a "one-stop shop"). Through its distributorship arrangement with various manufacturers, PAWS offers a wide product range of over 750 items, which includes ductile iron pipes, valves, gates, couplings and other related accessories. In addition, PAWS also owns its inhouse brand of *PA* ductile iron pipes and fittings.

Incorporated in Singapore since 1979, PAWS was listed on the Singapore Exchange Dealing and Automated Quotation System (SGX-SESDAQ, which has since been renamed Catalist) in September 2004. The group started off distributing pipelines to major oil companies and refineries, but gradually shifted toward the more stable water industry in the 1980s, following the oil crisis in 1983 and 1984. PAWS has subsidiaries in China, Hong Kong and Jakarta, as well as representative offices in Vietnam, United Arab Emirates (UAE), India and Holland. Currently, the group has more than 150 employees. The group also leased two warehouses (about 13,000 sq m in total) in Singapore to ensure quick response to customers' needs.

Over the years, PAWS was involved in numerous water projects such as the supply and delivery of pipeline and related accessories to Singapore's Marina Bay Sands Integrated Resort and NEWater Infrastructure Plan (NIP) project, Vietnam's Nhon Trach Water Supply Project and Hong Kong International Airport. The group's customer base stretches across 14 countries primarily in Asia and the Middle East (ME).

PAWS has an experienced management team led by Mr. Eddie Koh, its Chief Executive Officer (CEO). On average, PAWS' executive directors and executive officers have more than 10 years of experience in the supply of piping systems and related accessories. Major shareholder, Xu Jia Zu Holdings Pte. Ltd. (owned by the Koh family) holds an 80% stake in PAWS.

Board of Directors

Name	Title	Date of Appointment
Richard Koh Chye Heng	Chairman/Executive Director	March 20, 2009
Eddie Koh^	CEO/Managing Director	May 29, 2009
Indriati Khoe*	Non-Executive Director	May 29, 2009
Goh Boon Kok	Independent Non-Executive Director	March 20, 2009
Wu Yu Liang	Independent Non-Executive Director	March 20, 2009

^ Son of Richard Koh Chye Heng

* Spouse of Eddie Koh

Source: Company data

Board Independence

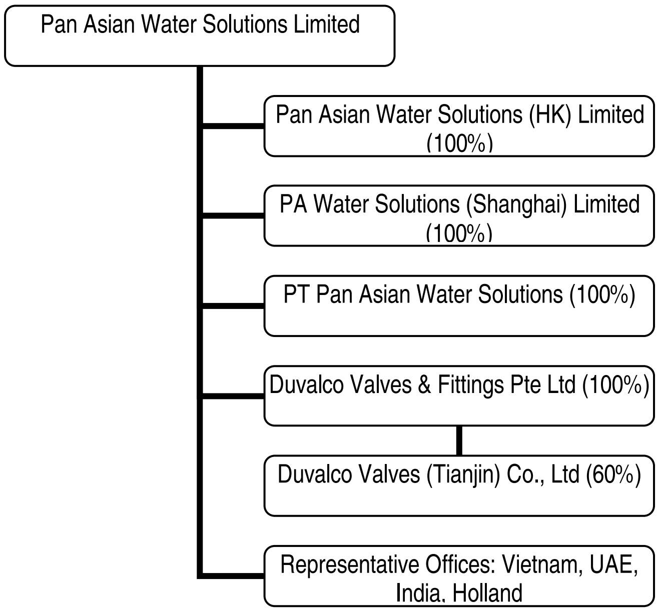
Of the board's five members, two are independent directors. There is a split in the chairman and CEO roles although the chairman does also have executive responsibilities. Independent directors are fairly represented in the Audit Committee (two of three), Nominating Committee (two of three) and Remuneration Committee (two of three).

Key Management

Name	Title	Date of Appointment
Eddie Koh	Chief Executive Officer	May 29, 2009
Chew Khong Yuen	Group Financial Controller	July 01, 2009
Douglas Chee Beng Choon	General Manager of Sales	January 22, 1992
Kenneth Lim Ban Heng	General Manager of Business Development	May 2009
Tan Kok Cheng	Senior Manager, Sales & Operations	March 2, 1983
Eric Teo Yew Leong	General Manager – Pan Asian Water Solutions Limited – Vietnam Office	July 5, 2004
Harvey Kwan Koon Ho	General Manager – Pan Asian Water Solutions (HK) Limited	March 4, 1998

Source: Company data

Corporate Structure



Source: Company data

Key Subsidiaries & Associates

- 100%-owned Pan Asian Water Solutions (HK) supplies piping systems and related accessories for use in water and wastewater infrastructure developments.
- 100%-owned PT Pan Asian Water Solutions and 100%-owned PA Water Solutions (Shanghai) are engaged in the export and import businesses.
- 100%-owned Duvalco Valves & Fittings Pte Ltd (DVF) manufactures valves & fittings, through its 60%-owned Duvalco Valves (Tianjin) Co., Ltd (Duvalco Valves). DVF is also involved in the marketing and promotion of the *Duvalco* brand.

Business Segments / Key Revenue Streams

PAWS' key revenue streams are derived from providing piping system solutions (such as pipes, valves, gates and etc) for the water purification and wastewater treatment industry. It also provides value-added services such as consulting and technical assistance on functional design specification and in-house fabrication services to customize product offerings to customers' requirements. For example, water purification and wastewater treatment plant developers may require pipelines, usually of smaller dimensions, with the appropriate controls to direct the fluid flow to the respective purification and treatment processes.

The products distributed by PAWS are mostly used in various water-related infrastructure developments, which can be segregated into the following segments:

(i) Potable water

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;

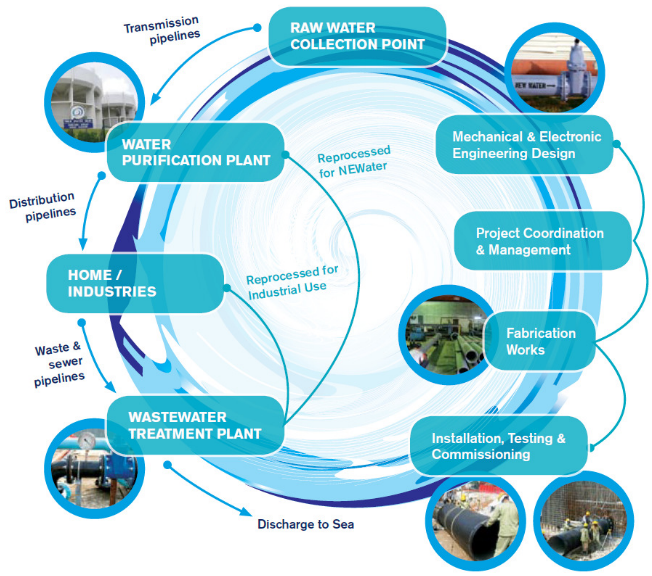
(ii) Wastewater

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; and

(iii) NEWater

Pipelines relating to NEWater treatment plants. NEWater is treated used water that has undergone a stringent purification and treatment process using advanced dual-membrane (microfiltration and reverse osmosis) and ultraviolet technologies. NEWater can be mixed and blended with reservoir water and then undergo conventional water treatment to produce drinking water.

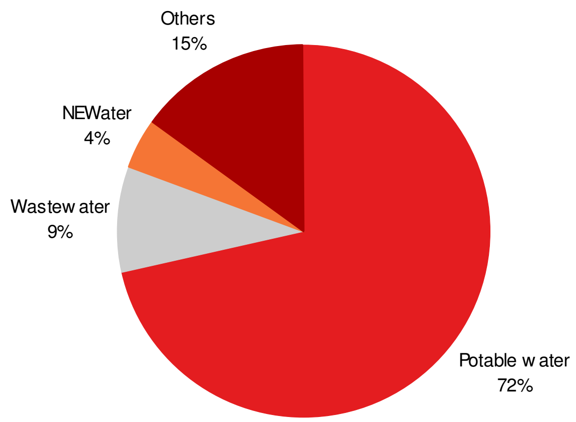
PAWS: Integrated Solutions for the Entire Water Cycle



Source: Company data

In addition, the group also supplies pipes and accessories in other markets outside of the water industry. This segment comprises mainly sales of piping systems to the oil and gas (O&G) industry and valves to the shipbuilding industry.

2009 Revenue Breakdown by Business Segments



Source: Company data

PAWS' orders are generally secured through direct tenders or from main or sub-contractors who have been awarded the piping installation contracts by the end customers such as public utilities boards or private developers. In certain countries, PAWS also sells directly to the local utilities authority, which would then allocate these products to a third party for installation.

A water project normally involves the following stages:

(i) **Pre-tender / pre-quotation analysis:** Initial analysis of a customer's technical requirements prior to an invitation for tender or quotation, followed by a plan which includes detailed layout, budget and functional design specification of the proposed system.

(ii) **Tendering / quotation:** Tender bids are submitted to the customers, while quotations are provided to the contractors and systems providers who are responsible for the installation and commissioning of the piping systems.

(iii) **Supply of equipment:** Once orders are received, PAWS will proceed to obtain the requisite piping system solutions, mainly through its principals and in-house brands, depending on customers' requirements.

(iv) **Fabrication services:** As the pipes are procured in generic dimensions, they may undergo a fabrication process according to customers' requirements. The other piping system equipment may undergo a protective coating process before they are packaged for delivery to customers. The group's quality controllers will conduct final inspections before the customers or third parties appointed by the customers are asked to inspect the finished products.

(v) **Final delivery and provision of technical support:** Upon acceptance of the finished product by customers or third-party inspectors, the product is packed and delivered to the customers or designated site. PAWS also performs on-site technical support from time to time to facilitate the installation and commissioning of the piping system.

PAWS holds 30 distributorships and 10 marketing agency rights from various manufacturers of a wide range of piping systems and accessories, mostly under exclusive arrangements. This allows the group to offer an integrated package of piping solutions to its customers.

PAWS has established long term relationships with its principals, with most of them lasting more than 10 years. Among its principals, Kubota Corporation (KC) (6326 JP, JPY871, Not Ranked) is one of PAWS' largest suppliers, with the sales of the *Kubota* brand of products contributing more than 20% of the group's revenue in 2009. In our opinion, the risk of losing the exclusive distribution rights from KC is low, given their relationship of over 20 years through collaboration efforts on promotions and tenders, as well as transfer of knowledge.

In order to reduce its dependency on external principals, PAWS has since 1997, started procuring original equipment manufacturer (OEM) subcontractors to manufacture its in-house brand of *PA* ductile iron pipes and fittings. The *PA* brand products enable PAWS to offer its customers a low-cost alternative to imported brands and allows it to penetrate new market segments. In addition, they conform to British Standards EN specifications (internationally recognized technical specifications). *PA* brand products contributed about 15% of PAWS' revenue in 2009.

Furthermore, PAWS provides value-added fabrication services to its customers through the use of an automatic welding process, which produces high quality welded-on flanged ductile iron pipes. This technology improved the quality of its products and shortened the group's delivery times. KC has appointed PAWS as its OEM for the fabrication of welded-on flanged ductile iron pipes.

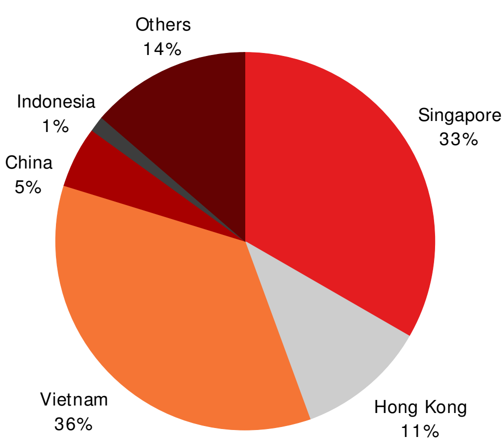
PAWS' commitment to high quality standards was affirmed by the award of the American Society of Mechanical Engineers (ASME) Section IX: 2001 accreditation for its welding process in 2003. The accreditation assures that the group's welded-on flanged ductile iron pipes meet stringent international quality standards.

As the piping systems and accessories are generally made of iron and metal alloys containing iron, PAWS' operating costs are subject to the fluctuations in iron prices. If PAWS is not able to pass on the increase in costs to its customers, profitability for the group will be adversely affected. We understand from management that PAWS is able to pass on the higher costs to its customers, albeit with a short time lag.

Major markets

Vietnam is PAWS' largest market, accounting for 36% of its 2009 revenue, followed by Singapore (33%), Hong Kong (11%) and China (5%). The remaining 15% of revenue is derived from Indonesia and other countries. The contribution from different markets may differ substantially each year, depending on the projects secured by PAWS. These projects include programs funded by governments and multilateral aid agencies such as the World Bank and Asian Development Bank (ADB), which reduces the risk of default.

2009 Revenue Breakdown by Geographical Regions



Source: Company data

Industry Landscape

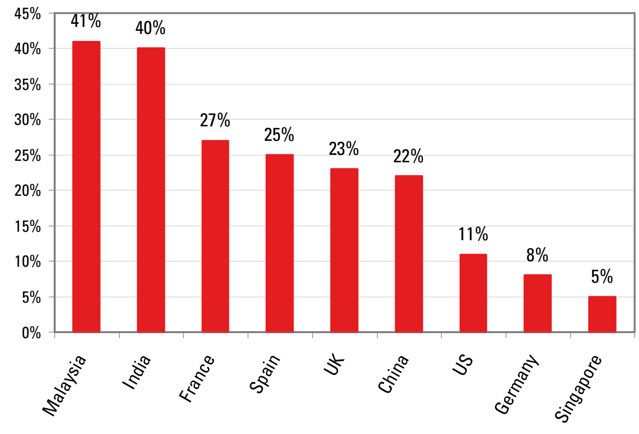
Asia's water industry is generally fragmented, with many piping systems suppliers competing in each country. That said, the markets in developed countries are typically dominated by a few players, most of them distributors carrying distributorship rights from established manufacturers. In certain developing countries, competition may come from distributors or principals who sell directly to the markets.

The factors affecting the competitiveness of the players in the industry include the range and quality of piping systems and related accessories offered, understanding of the technical requirements in systems installation, pricing and regional presence. In addition, the level of competition in each country is also dependent on the popularity of their principals. Brand loyalty plays an important role in buying decisions, and a customer's direct experience with existing installations can give a vendor an edge.

In general, the demand for potable water, wastewater and NEWater infrastructures varies according to the stage of development in each country. In developed countries (such as Singapore and Hong Kong), emphasis is placed on both water-related and wastewater-related developments. Projects undertaken by developed countries include: (i) the replacement of pipes carrying potable water due to wear and tear; (ii) the upgrading of existing potable water pipelines to improve the flow volume; (iii) the construction of wastewater-related infrastructures due to increased emphasis on environmental problems; and (iv) the development of water-efficient systems such as NEWater treatment plants to augment traditional sources of freshwater. Meanwhile, there is greater demand for potable water infrastructures in developing countries (such as China and Vietnam) as there is more emphasis on the supply of potable water - to improve health and sanitation standards.

Even for areas equipped with adequate water treatment and pipeline infrastructure, water leakage and contamination remain common problems in most of Asia's developing economies, due to prolonged wear and tear. According to the World Bank (2006), the total cost to water utilities caused by non-revenue water (NRW) worldwide can be conservatively estimated at USD14 bln p.a., with one third of it occurring in the developing world. NRW refers to water that has been produced and is "lost" before it reaches the end customer, either through leakages, theft or metering inaccuracies.

% of Utilities Revenue Loss due to NRW by Country



Source: Asian Water Magazine, March 2008

As such, in order to minimize water leakage, developing countries will continue to replace old pipelines with higher quality pipelines.

In the past, water infrastructure investments were mainly funded by governments and multilateral aid agencies such as the World Bank and the ADB. Private investments were limited as water projects normally involve huge upfront costs and a longer pay-back period, due to the reliance on future cash flows to meet financial obligations and provide reasonable returns.

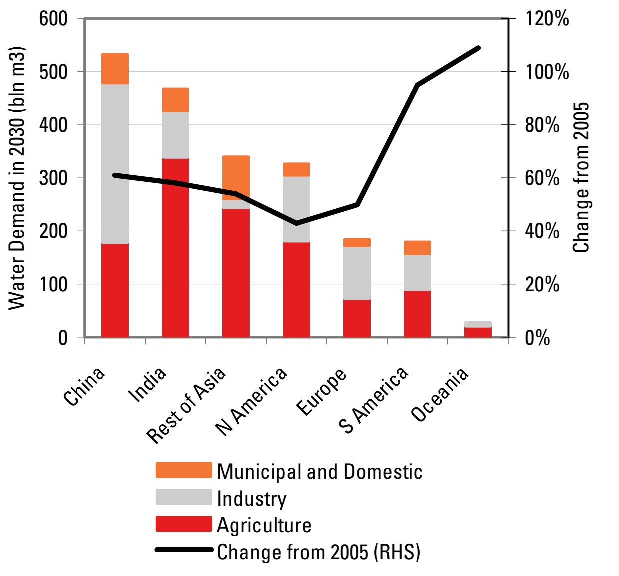
In addition, other risks such as macroeconomic and regulatory concerns further complicate the matters. For example, there may be political resistance against water tariff hikes - that are needed for commercial returns - as water is commonly considered a public good.

Nonetheless, the public sector alone cannot afford the huge investment required to keep pace with growing water demand and the need to repair rapidly aging infrastructure. As such, this opens up the previously closed segment of the vast water industry for private sector participation. The investments usually come in the form of public-private partnerships, which ensure a balance of risks and responsibilities between the public and private sectors. Furthermore, the increasing sophistication of the financial markets also provides investors with more funding options.

Asia is home to roughly 60% of the world's population, but it has less than 40% of the planet's usable water supply. Rapid industrialization and high population growth in recent years have put severe strain on Asia's water and wastewater management resources. In particular, China and India, with populations of 1.34 bln and 1.16 bln, respectively, face unprecedented water management challenges as they attempt to balance industrial needs with traditional agriculture activities.

According to the 2030 Water Resources Group (a collaboration of industrial users of water, the International Finance Corporation and McKinsey and Company), global water demand will grow by 53% to 6,900 bln m³ in 2030 (mainly from China and India), from 4,500 bln m³ currently. This would be 40% in excess of current supply, if no action is taken to improve the situation.

Increase in Annual Water Demand 2005-2030



Source: 2030 Water Resources Global Water Supply and Demand model; baseline agricultural production based on IFPRIIMPACT-WATER base case

Besides, significant industrial and municipal wastewater pollution will introduce additional challenges to water resources. For example, the percentage of surface water qualified for potable use in China has dropped to 58% in 2006 from 65% in 2002. In our view, the greater awareness of environmental issues and enforcement of stricter environmental regulations will increase the demand for wastewater treatments.

With continued population expansion and increased urbanization, we believe that water infrastructure investments in Asia will continue to remain robust in the long term, given the various governmental and private sector initiatives on water and wastewater resource management. In China's 11th five-year plan (2006-2010), the government projected that total investment in the water sector would amount to almost CNY1 tln during the period. We expect such a strong spending trend to continue in the 12th five-year plan (2011-2015).

Growth Strategy

PAWS will focus on the following core strategies to capitalize on the rapid expansion in the global water industry and grow its business.

Diversify customer base through regional expansion

Besides increasing its market share in existing markets, PAWS aims to diversify its geographic reach by exploring new markets through collaborating with its principals. To strengthen its global presence, the group has recently established new representative offices in UAE, India and Holland. PAWS also intends to leverage on its successful track record of involvement in projects funded by public utilities boards and multilateral aid agencies.

Broaden product range and identify new market segments

In order to increase its competitiveness, PAWS works closely with its existing principals to introduce new and innovative products. In addition, the group intends to partner with new principals who manufacture complementary products.

The group is also keen to leverage on its principals' technical know-how to penetrate new market segments and capture new demand. For example, PAWS has started supplying valves to the shipbuilding industry since 2008.

PAWS has acquired the sole distributorship of *Duvalco* brand to expand its product range. *Duvalco* is an established brand in Europe, with more than 50 years of history, specializing in different types of valves. In addition to the water/sewage treatment industry, these valves are also widely used in shipbuilding, O&G, power generation and petrochemical industries. These should open up more opportunities for PAWS to supply to new market segments.

Build on upstream capabilities

PAWS has established a 60:40 joint venture company, Duvalco Valves with Tianjin Bohai Yongsheng Valve Co. Ltd (Tianjin Bohai) to manufacture valves & fittings in China.

In addition, PAWS has budgeted SGD5.0 mln in 2010 to set up its headquarters in Tianjin Eco-City. PAWS plans to consolidate its existing pipe and valve manufacturing operations in Tianjin, with other activities including a global logistics and warehousing hub, R&D center, brand building and marketing center, and procurement center for global trading activities. This move should enable it to lower its cost structure and compete more effectively in price-sensitive markets, while tapping into China's fast-growing water industry.

Mergers & Acquisitions

Besides growing organically, PAWS also plans to expand its product range and technological capability through mergers and acquisitions, which are earnings accretive and complementary to its core businesses.

SWOT Analysis

Strengths

- A piping system solutions provider with more than 25 years of industry experience, led by an experienced management team.
- It has established close relationships with its principals and can offer integrated piping system solutions through a wide product range of over 750 items.
- PAWS provides value-added fabrication services to its customers through the use of automatic welding process. This technology shortened the group's delivery times, while meeting stringent international quality standards.

Weaknesses

- The dependence on its water business makes PAWS more vulnerable to industry cycles and economic downturns.
- Asia's water industry is highly competitive and PAWS has to compete with many piping systems suppliers in each country.
- PAWS is heavily reliant on its key principal, KC (the *Kubota* brand contributed more than 20% of the group's revenue in 2009).

Opportunities

- The group can further diversify its revenue streams by expanding the *PA* and *Duvalco* brands.
- The growing need for water infrastructure investments in Asia presents huge opportunities for PAWS and should bode well for its long-term growth.
- PAWS can leverage on its successful track record of involvement in projects funded by multilateral aid agencies and public utilities boards to expand its business.

Threats

- There is the risk of PAWS losing its distribution rights from its principals, which could be detrimental to its earnings.
- The group is subject to volatile raw material costs and foreign exchange risks, which can affect its margins.
- PAWS is exposed to the credit risk of its customers. In the event of default, PAWS may need to write off the entire amount owed by its customers.

Recent Key Developments

May 2009: Mr. Eddie Koh has been re-designated as PAWS' executive director and managing director cum CEO. He was previously a non-executive director of PAWS.

May 2009: Disposal of 51%-owned subsidiary Teacly (S) Pte Ltd (Teacly) for cash consideration of SGD784,337.

September 2009: Entered into an agreement with Tianjin Bohai to establish a 60:40 joint venture company, Duvalco Valves to manufacture valves & fittings.

November 2009: Increased investment in its wholly owned subsidiary, Duvalco Valves & Fittings Pte Ltd to SGD1.0 mln from SGD100,000. The investment was funded by internal resources.

Management Guidance

Management expects general operating conditions in the industry to remain competitive, as order flow in the water industry remains slow. Despite the challenges ahead, PAWS will continue to concentrate on expanding its marketing network through new representative offices or subsidiaries.

Going forward, management would like to further build up its manufacturing business in Tianjian (China), with main focus in developing and promoting the *Duvalco* brand of valves. This division should be the growth driver for the group, going forward.

Meanwhile, administrative costs will increase in the near term, due to the setup of new representative offices in the UAE, India and Holland. As these offices are still in their infancy, it would take some time before they can provide meaningful contributions to the group's bottomline.

Earnings Outlook

Despite posting lower revenue of SGD52.5 mln (-57.0%) in 2009, PAWS achieved a decent net profit of SGD2.5 mln (-6.1% YoY), thanks to its focus on higher margin sales and projects. In addition, 2009 results were aided by a SGD671,000 write-back of provision for impairment of trade debt and inventory. Meanwhile, the lower revenue was mainly due to the weak global economy and the disposal of Teacly (a company specializing in sewer pipe renovation, relining and rehabilitation works) in May 2009. Following the disposal of Teacly, PAWS intends to concentrate on its core business (pipe distribution and trading) going forward.

We estimate that PAWS' net profit will fall 14.6% YoY to SGD2.1 mln in 2010, mainly due to higher administrative expenses from its newly set up representative offices. As such, operating margin is expected to reduce to 5.0% from 6.4% in 2009. We project Singapore and China markets to be PAWS' major revenue driver in 2010, while revenue from other markets will remain flat. However, PAWS' 2010 revenue will nevertheless drop 6.3% YoY to SGD49.2 mln, in the absence of revenue contribution from Teacly (about SGD5.0 mln in 2009).

Peer Comparison

There are no direct peers to compare against PAWS, given its broad scope of products. Nonetheless, we have compared the company to a piping systems manufacturer and distributor peer.

	PAWS	**China Pipe Group Ltd**	**Electrosteel Castings Ltd**
Share Price @ April 02, 2010	SGD0.11	HKD0.061	INR53.40
Mkt. Cap (mln)	SGD13.8	HKD813.3	INR16701.0
PER Historical (x)	5.5	N.A.	11.2
PER Current Year (x)	6.4	N.A.	N.A.
P/NTA Historical (x)	0.7	1.9	1.1
Latest FY (mln)			
Revenue	SGD52.5	HKD701.8	INR18380.4
Pre-Tax Profit, as reported	SGD3.1	-HKD36.9	INR2090.5
Net Profit, as reported	SGD2.5	-HKD42.6	INR1403.9
Pre-Tax Profit Margin (%)	5.9	-5.3	11.4
Net Profit Margin (%)	4.8	-6.1	7.6

Source: Bloomberg, Company Data

Profit & Loss

FY Dec. / SGD mln	2008	2009	2010E	2011E
Reported Revenue	122.3	52.5	49.2	51.7
Reported Operating Profit	3.9	3.4	2.5	2.8
Depreciation & Amortization	-6.0	0.6	1.8	2.5
Net Interest Income / (Expense)	-0.4	-0.3	0.2	0.1
Reported Pre-tax Profit	3.6	3.1	2.7	2.9
Effective Tax Rate (%)	18.6	18.2	18.2	18.2
Reported Net Profit	2.7	2.5	2.1	2.3
Reported Operating Margin (%)	3.2	6.4	5.0	5.4
Reported Pre-tax Margin (%)	2.9	5.9	5.4	5.5
Reported Net Margin (%)	2.2	4.8	4.3	4.4

Source: Company data, S&P Equity Research

Balance Sheet

FY Dec. / SGD mln	2008	2009
Total Assets	55.0	33.5
Fixed Assets	6.4	3.6
Current Assets	48.6	29.9
Other LT Assets	0.1	0.1
Current Liabilities	36.6	13.9
LT Liabilities	1.5	1.1
Share Capital	8.9	8.9
Shareholders' Funds	16.9	18.5

Source: Company data, S&P Equity Research

Cash Flow

FY Dec. / SGD mln	2008	2009	2010E	2011E
Operating Cash Flow	0.8	11.9	2.5	2.6
Investing Cash Flow	-3.3	0.0	-4.7	-4.8
Financing Cash Flow	4.1	-5.8	-1.3	-1.3
Net Cash Flow	1.6	6.1	-3.6	-3.6
Ending Cash	5.1	11.1	7.5	3.9
Capex	-4.2	-0.3	-5.0	-5.0

Source: Company data, S&P Equity Research

Material Disclosures Including Interested Party Transactions

There were no material contracts of PAWS involving the interests of directors or controlling shareholders.

In 2009, PAWS purchased inventory items from Duvalco International Pte Ltd and Sinzhong Valves & Fittings (Wuxi) Co Ltd (both are interested parties) amounting to SGD1.3 mln and SGD445,000 respectively. These amounts exclude transactions below SGD100,000.

New Issues & Placements

Nil

Dividend Policy

PAWS does not have a fixed dividend policy. Nevertheless, the group has been paying out 23%-57% of net profit in the past three years.

Auditors' History

2005-2009: RSM Chio Lim LLP, Certified Public Accountants, Singapore.

2004: Chio Lim & Associates, Certified Public Accountants, Singapore.

Required Disclosures

Standard & Poor's Equity Research Services

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