

## PAN ASIAN WATER SOLUTIONS LIMITED

### HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT

#### PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

#### Group's Income Statements

	30-Jun-06 S\$'000	30-Jun-05 S\$'000	Increase/ (Decrease) %
<b>Revenue</b>	12,625	24,706	-48.9%
Cost of sales	(10,332)	(20,790)	-50.3%
Gross profit	2,293	3,916	-41.4%
Financial Income	61	193	-68.4%
Financial expense	(41)	(43)	-4.7%
Selling and distribution expenses	(1,203)	(1,356)	-11.3%
Administrative expenses	(1,331)	(1,006)	32.3%
Other credits/(charges)	50	(41)	NM
<b>Profit/(Loss) before income tax</b>	<b>(171)</b>	<b>1,663</b>	-110.3%
Income tax expenses	(47)	(341)	-86.2%
<b>Profit/(Loss) for the year</b>	<b>(218)</b>	<b>1,322</b>	-116.5%
Attributable to:			
Equity holders of the company	(110)	1,322	-108.3%
Minority interest	(108)	-	NM
	<b>(218)</b>	<b>1,322</b>	-116.5%

NM - Not meaningful

Notes to Income Statement	Group	Group	
	30 June 2006	30 June 2005	Increase/ (Decrease)
	S\$'000	S\$'000	%
<u>Revenue</u>			
Sales	12,337	24,678	-50.0%
Contract revenue	231	-	NM
Commission income	11	17	-35.3%
Sundry income	32	11	190.9%
Rental income	14	-	NM
	<b>12,625</b>	<b>24,706</b>	<b>-48.9%</b>
<u>Financial Income</u>			
Interest income from outside parties	62	22	181.8%
Gain on disposal of investment in subsidiary	24	-	NM
Foreign exchange gain/(loss)	(25)	171	-114.6%
	<b>61</b>	<b>193</b>	<b>-68.4%</b>
<u>Financial expenses</u>			
Provision for impairment on trade debts - outside parties	(19)	15	-226.7%
Interest expense to outside parties	(22)	(58)	-62.1%
	<b>(41)</b>	<b>(43)</b>	<b>-4.7%</b>
<u>Other (charges)/credit</u>			
Gain on disposal of plant and equipment	1	25	-96.0%
Inventories written off	-	(66)	-100.0%
Reversal of provision for impairment for inventories	49	-	NM
	<b>50</b>	<b>(41)</b>	<b>NM</b>
NM - Not Meaningful			

1(b)(i) A Balance Sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 30-Jun-06 S\$'000	Group 31-Dec-05 S\$'000	Company 30-Jun-06 S\$'000	Company 31-Dec-05 S\$'000
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	7,116	8,974	4,689	5,603
Trade and other receivables	7,810	7,956	6,286	5,398
Inventories	3,643	3,348	2,633	2,575
<b>Total current assets</b>	<b>18,569</b>	<b>20,278</b>	<b>13,608</b>	<b>13,576</b>
<b>Non-current assets:</b>				
Investments in subsidiaries	-	-	1,284	2,016
Other assets	78	78	78	78
Property, plant and equipment	1,060	2,057	1,005	1,040
<b>Total non-current assets</b>	<b>1,138</b>	<b>2,135</b>	<b>2,367</b>	<b>3,134</b>
<b>Total assets</b>	<b>19,707</b>	<b>22,413</b>	<b>15,975</b>	<b>16,710</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Short-term borrowings	-	-	-	-
Trade and other payables	5,738	5,826	4,563	3,866
Income tax payable	321	604	137	287
Current portion of long-term borrowing	-	65	-	-
Current portion of finance leases	72	72	72	72
<b>Total current liabilities</b>	<b>6,131</b>	<b>6,567</b>	<b>4,772</b>	<b>4,225</b>
<b>Non-current liabilities:</b>				
Long-term borrowings	-	594	-	-
Finance leases	233	269	233	269
<b>Total non-current liabilities</b>	<b>233</b>	<b>863</b>	<b>233</b>	<b>269</b>
<b>Total Liabilities</b>	<b>6,364</b>	<b>7,430</b>	<b>5,005</b>	<b>4,494</b>
<b>Equity attributable to equity holders of the parent:</b>				
Share capital	8,947	8,947	8,947	8,947
Other reserves	(61)	49	76	76
Retained earnings	4,457	5,192	1,947	3,193
	<b>13,343</b>	<b>14,188</b>	<b>10,970</b>	<b>12,216</b>
<b>Minority Interest</b>	<b>-</b>	<b>795</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>13,343</b>	<b>14,983</b>	<b>10,970</b>	<b>12,216</b>
<b>Total liabilities and equity</b>	<b>19,707</b>	<b>22,413</b>	<b>15,975</b>	<b>16,710</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

Amount repayable in one year or less, or on demand

As at 30.06.06		As at 31.12.05	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
72	NIL	137	NIL

Amount repayable after one year

As at 30.06.06		As at 31.12.05	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
233	NIL	863	NIL

**1(b)(ii) Cont'd****Details of any collaterals**

The obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee by a director.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group 30-Jun-06 S\$'000</b>	<b>Group 30-Jun-05 S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	(218)	1,322
Adjustments for:		
Income tax expenses	47	341
Depreciation expense	133	139
Gain on disposal of investment in subsidiary	(24)	-
Net gain on disposal of plant and equipment	(1)	(25)
Interest income	(62)	(22)
Interest expense	22	58
Operating (loss)/profit before working capital changes	<u>(103)</u>	<u>1,813</u>
Trade & other receivables	(182)	(1,290)
Inventories	(307)	(164)
Trade & other payables	370	2,658
Cash generated from operations	<u>(222)</u>	<u>3,017</u>
Income tax paid	(280)	(116)
<b>Net cash (used in) / from operating activities</b>	<b><u>(502)</u></b>	<b><u>2,901</u></b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of plant and equipment	1	25
Purchase of plant and equipment	(97)	(17)
Cash outflow from disposal of subsidiary	(509)	-
Interest received	62	22
<b>Net cash (used in) from investing activities</b>	<b><u>(543)</u></b>	<b><u>30</u></b>
<b>Cash flows from financing activities</b>		
Interest expenses paid	(22)	(58)
Dividend paid	(625)	(500)
Decrease in borrowings	(20)	(500)
Decrease in finance lease	(36)	(40)
<b>Net cash (used in) financing activities</b>	<b><u>(703)</u></b>	<b><u>(1,098)</u></b>
<b>Net effect of exchange rate changes in consolidating foreign subsidiary</b>	<b>(110)</b>	<b>23</b>
Net (decrease)/increase in cash and cash equivalents	(1,858)	1,856
Cash and cash equivalents at beginning of period	8,974	5,194
<b>Cash and cash equivalents at end of year</b>	<b><u>7,116</u></b>	<b><u>7,050</u></b>
Represented by:		
Restricted cash	-	1,500
Not restricted cash	7,116	7,050
	<u>7,116</u>	<u>8,550</u>

The group divested 51% of Tricaftan Environmental Engineering Pte Ltd (formerly name as Tricaftan Enterprise Pte Ltd) on 25 May 2006 based on the management accounts as at 30 April 2006. The transaction was accounted for by the purchase method of accounting.

The fair value of assets and liabilities divested are as follows:-

	\$'000
Cash	1,254
Trade and other receivables	328
Construction work in progress	12
Property, plant and equipment	962
Trade and other payables	(458)
Borrowings	(639)
Income tax payable	( 51)
Minority interest	(687)
Gain on divestment	24
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Cash consideration	745
Less cash disposed	(1,254)
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Net cash outflow on disposal	(509)
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The Loss incurred from the subsidiary for the period between 1 January 2006 to 30 April 2006 were as follows:-

	\$'000
Revenue	246
Loss before tax	(220)

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<u>GROUP</u>	Share Capital S\$'000	Capital Reserve S\$'000	Foreign currency Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000	Minority Interest S\$'000	Total Equity S\$'000
Balance as at 1 January 2005	8,947	76	(40)	3,578	12,561	-	12,561
FRS 39 adjustment	-	-	-	103	103	-	103
Balance as at 1 January 2005 - re-stated	8,947	76	(40)	3,681	12,664	-	12,664
Profit for the period	-	-	-	1,322	1,322	-	1,322
Dividend paid	-	-	-	(500)	(500)	-	(500)
Foreign currency translation reserve	-	-	23	-	23	-	23
Balance as at 30 June 2005	8,947	76	(17)	4,503	13,509	-	13,509
Balance as at 1 January 2006	8,947	76	(27)	5,192	14,188	795	14,983
Disposal of subsidiary	-	-	-	-	-	(687)	(687)
Loss for the period	-	-	-	(110)	(110)	(108)	(218)
Dividend paid	-	-	-	(625)	(625)	-	(625)
Foreign currency translation reserve	-	-	(110)	-	(110)	-	(110)
Balance as at 30 June 2006	8,947	76	(137)	4,457	13,343	-	13,343
	(a)	(b)	(b)				
<b><u>COMPANY</u></b>							
Balance as at 1 January 2005	8,947	76	-	2,066	11,089	-	11,089
FRS 39 adjustment	-	-	-	103	103	-	103
Balance as at 1 January 2005 - re-stated	8,947	76	-	2,169	11,192	-	11,192
Profit for the period	-	-	-	667	667	-	667
Dividend paid	-	-	-	(500)	(500)	-	(500)
Balance as at 30 June 2005	8,947	76	-	2,336	11,359	-	11,359
Balance as at 1 January 2006	8,947	76	-	3,193	12,216	-	12,216
Loss for the period	-	-	-	(621)	(621)	-	(621)
Dividend paid	-	-	-	(625)	(625)	-	(625)
Balance as at 30 June 2006	8,947	76	-	1,947	10,970	-	10,970
	(a)	(b)					

(a) With the changes of the Companies Act, Cap 50, effective from 30 January 2006, there is the removal of the concept of par value and authorized capital and there is no share premium account. The group and the company had a share premium account balance of \$2,697,000 at the end of the year. This amount has now been included in share capital as required by the changes to the Companies Act.

(b) Unrealized and not available for distribution of cash dividend

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited and reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation have been applied.

**5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted all the new Singapore Financial Reporting Standard ("FRS") that are mandatory for financial years beginning on or after 1 January 2006. However, the new standards did not affect the result for the current or prior periods.

**6. Earnings per ordinary share of the company for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	30.06.06	30.06.05
(i) Based on weighted average number of ordinary share in issue	(0.08) cents	1.06 cents
(ii) On a fully diluted basis	(0.08) cents	1.06 cents

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

- (a) current period reported on; and**
- (b) immediately preceding financial year**

	Group		Company	
	30.06.06	31.12.05	30.06.06	31.12.05
Net asset value per ordinary share based on number of shares in issue at end of period	10.67 cents	11.35 cents	8.82 cents	9.77 cents

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.**

## **Review of operating result**

### **Revenue**

Group Revenue was lower by 48.9% from \$24.7 million in the HY 2005 to \$12.6 million in HY 2006.

Revenue in 1H 2005 was higher due to Da Den Dam project in Vietnam which contributed revenue of US\$ 7.6 million.

### **Gross profit**

In line with the lower revenue, gross profit decreased by 41.4% to \$2.3 million. However the gross profit margin improved by 2.3% due to the changes in sales mix.

### **Financial income**

The decrease in financial income was mainly due to the foreign exchange loss of \$25,000 compared to exchange gain of \$171,000 in 2005.

### **Financial expense**

The decrease in financial expense was from the saving in interest expense.

### **Selling and distribution and administrative expenses**

Selling and distribution expenses decreased by 11.3% in line with the decrease in the revenue.

Administrative expenses increased by 32.3% mainly due to the addition of three subsidiaries companies expenses.

### **Other credits/(charges)**

Other credits amounting to \$50,000 was mainly due to the write-back of inventories provision compared to the write-off in 2005.

### **Loss/(profit) before tax**

Group's loss before tax was \$171,000 compared to profit of \$1.7 million in 2005.

### **Income tax expense**

Despite the operating loss, there is an income tax expense of \$47,000 due to profitable operations of Hong Kong subsidiary.

## **Review of financial position**

Group's net tangible assets decreased by 6.5% from \$14.2 million to \$13.3 million.

Cash and cash equivalent decreased \$1.9 million due mainly to operating activities, payment of dividends and cash outflow from disposal of subsidiary.

Trade and other receivables decreased \$0.2 million and inventories increased \$0.3 million.

Total current liabilities decreased by 5.4% from \$6.6 million to \$6.1 million due to the decrease in income tax payable.

Total non-current assets and non-current liabilities decreased by \$0.9 million and \$0.6 million respectively due to the divestment of Tricaftan in April 2006.

### **Review of cash flow**

The Group's cash and cash equivalents decreased S\$1.9 million from S\$9.0 million as at 31.12.2005 to S\$7.1 million as at 30.06.2006. The decrease in cash and cash equivalents was mainly due to operating activities, payment of dividends and cash outflow from the disposal of a subsidiary.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to our shareholders, any variance between it and the actual results.**

In line with announcement on 12 July 2006.

### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Although the Group expects the business environment to remain challenging in the next 12 months, it is cautiously optimistic that the performance in second half year will be better than first half year.

### **11. Dividend**

#### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

#### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

#### **(c) Date payable**

Not applicable

#### **(d) Books closure date**

Not applicable

### **12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable

BY ORDER OF THE BOARD

**Koh Tiam Teng**  
**Managing Director/Chief Executive Officer**  
**14/08/06**