

PAN ASIAN WATER SOLUTIONS LIMITED

FULL YEAR 2007 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 Income Statements

	2007 S\$'000	2006 S\$'000	Increase/ (Decrease) %
Revenue	44,726	34,541	29.5%
Cost of sales	(38,152)	(29,069)	31.2%
Gross profit	6,574	5,472	20.1%
Financial Income	88	120	-26.7%
Financial expense	(68)	(138)	-50.7%
Selling and distribution expenses	(2,614)	(2,390)	9.4%
Administrative expenses	(3,025)	(2,499)	21.0%
Other credits/(charges)	291	151	92.7%
Profit before income tax	1,246	716	74.0%
Income tax expenses	(252)	(143)	76.2%
Profit for the year	994	573	73.5%
Attributable to:			
Equity holders of the company	885	681	30.0%
Minority interest	109	(108)	-200.9%
	<u>994</u>	<u>573</u>	<u>73.5%</u>

	2007 S\$'000	2006 S\$'000	Increase/ (Decrease) %
<u>Financial Income</u>			
Interest income	87	120	-27.5%
Foreign exchange gain	1	-	
	<u>88</u>	<u>120</u>	-26.7%
<u>Financial expenses</u>			
Reversal / (provision) for impairment on trade debts - outside parties	21	(19)	-210.5%
Foreign exchange loss	-	(54)	-100.0%
Interest expense to outside parties	(89)	(65)	36.9%
	<u>(68)</u>	<u>(138)</u>	-50.7%
<u>Other credits/(charges)</u>			
Gain on disposal of plant and equipment	160	9	1677.8%
Reversal of provision for impairment of inventories	131	118	11.0%
Gain on disposal of subsidiary	-	24	-100.0%
	<u>291</u>	<u>151</u>	92.7%

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 2007 S\$'000	Group 2006 S\$'000	Company 2007 S\$'000	Company 2006 S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	3,317	7,713	1,947	6,203
Asset classified as held for sale	-	542	-	542
Trade and other receivables	21,969	7,916	18,142	6,463
Inventories	5,539	3,005	2,700	2,256
Total current assets	30,825	19,176	22,789	15,464
Non-current assets:				
Investments in subsidiaries		-	1,465	1,025
Other assets	78	78	78	78
Property, plant and equipment	8,243	1,702	3,601	1,654
Total non-current assets	8,321	1,780	5,144	2,757
Total assets	39,146	20,956	27,933	18,221
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	1,455	614	1,000	438
Trade and other payables	20,992	5,875	13,130	5,165
Current tax payable	83	101	73	-
Current portion of long-term borrowing	24	-	-	-
Current portion of finance leases	473	82	135	82
Total current liabilities	23,027	6,672	14,338	5,685
Non-current liabilities:				
Deferred tax liabilities	220	-	80	-
Long-term borrowings	281	-	-	-
Finance leases	523	212	157	212
Total non-current liabilities	1,024	212	237	212
Total Liabilities	24,051	6,884	14,575	5,897
Equity attributable to equity holders of the parent:				
Share capital	8,947	8,947	8,947	8,947
Other reserves	(267)	(123)	-	76
Retained earnings	5,896	5,248	4,411	3,301
	14,576	14,072	13,358	12,324
Minority Interest	519	-	-	-
Total equity	15,095	14,072	13,358	12,324
Total liabilities and equity	39,146	20,956	27,933	18,221

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

Amount repayable in one year or less, or on demand

As at 31.12.07		As at 31.12.06	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,952	NIL	696	NIL

Amount repayable after one year

As at 31.12.07		As at 31.12.06	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
804	NIL	212	NIL

Details of any collaterals

The group's bank loans are secured / covered by:

- a) A mortgage over the company's new leasehold land and building
- b) A negative pledge over the company's fixed and floating assets excluding certain inventories acquired under document credit
- c) A mortgage over a subsidiary's leasehold property
- d) Corporate guarantee by the company

The obligations under finance leases are secured / covered by the lessor's charge over the leased assets, a personal guarantee by a director and corporate guarantee by the holding company.

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

	2007 S\$'000	2006 S\$'000
Cash flows from operating activities		
Profit before taxation	1,246	716
Adjustments for:		
Depreciation expense	783	319
Gain on disposal of investment in subsidiary	-	(24)
Net gain on disposal of plant and equipment	(160)	(9)
Interest income	(87)	(120)
Interest expense	89	65
Operating profit before working capital changes	<u>1,871</u>	<u>947</u>
Trade & other receivables	(13,270)	(288)
Inventories	(2,534)	331
Trade & other payables	14,632	507
Cash generated from operations	<u>699</u>	<u>1,497</u>
Income tax refund / (paid)	11	(595)
Net cash from operating activities	<u>710</u>	<u>902</u>
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	702	20
Purchase of plant and equipment	(5,812)	(1,451)
Cash outflow from acquisition of subsidiary	(231)	-
Disposal of subsidiary net of cash disposed	-	(509)
Interest received	87	120
Net cash used in investing activities	<u>(5,254)</u>	<u>(1,820)</u>
Cash flows from financing activities		
Interest expenses paid	(89)	(65)
Dividend paid	(312)	(625)
Increase in borrowings	778	594
Decrease in finance lease	(161)	(75)
Net cash from/(used in) financing activities	<u>216</u>	<u>(171)</u>
Net effect of exchange rate changes in consolidating foreign subsidiary	(68)	(172)
Net decrease in cash and cash equivalents	(4,396)	(1,261)
Cash and cash equivalents at beginning of year	<u>7,713</u>	<u>8,974</u>
Cash and cash equivalents at end of year	<u>3,317</u>	<u>7,713</u>

Non cash transactions – During the year, plant and equipment was acquired with an aggregate cost of \$1.0 million (2006: \$28,000) of which \$784,000 (2006: \$28,000) was financed by finance leases and \$216,000 (2006: Nil) was included in accrued liabilities.

The group acquired 51% of Teacly (S) Pte Ltd on 16 June 2007. The transaction was accounted for by the purchase method of accounting.

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

	\$'000
Cash	(209)
Trade and other receivables	(783)
Property, plant and equipment	(481)
Trade and other payables	268
Finance leases	48
Long term borrowings	307
Minority interest	410

Cash consideration paid	(440)
Less cash taken over	209

Net cash outflow	(231)
	=====

The contribution from the subsidiary for the period between the date of acquisition and 31 December 2007 before inter-company eliminations are as follows:-

	\$'000
Revenue	3,073
Profit before tax	272
	=====

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	Foreign	Retained	Total	Minority	Total
	Capital	Reserve	currency	Earnings		Interest	
	S\$'000	S\$'000	Translation	S\$'000	S\$'000	S\$'000	S\$'000
			Reserve				
			S\$'000				
Balance as at 1 January 2006	8,947	76	(27)	5,192	14,188	795	14,983
Disposal of subsidiary						(687)	(687)
Profit for the year	-	-	-	681	681	(108)	573
Dividend paid	-	-	-	(625)	(625)	-	(625)
Foreign currency translation reserve	-	-	(172)	-	(172)	-	(172)
Balance as at 31 December 2006	8,947	76	(199)	5,248	14,072	-	14,072
Acquisition of subsidiary						410	410
Transfer of capital reserve to retained earni	-	(76)	-	76	-	-	-
Profit for the year	-	-	-	885	885	109	994
Dividend paid	-	-	-	(313)	(313)	-	(313)
Foreign currency translation reserve	-	-	(68)	-	(68)	-	(68)
Balance as at 31 December 2007	8,947	-	(267)	5,896	14,576	519	15,095

(a) (a)

COMPANY

Balance as at 1 January 2006	8,947	76	-	3,193	12,216	-	12,216
Profit for the year	-	-	-	733	733	-	733
Dividend paid	-	-	-	(625)	(625)	-	(625)
Balance as at 31 December 2006	8,947	76	-	3,301	12,324	-	12,324
Transfer of capital reserve to retained earni	-	(76)	-	76	-	-	-
Profit for the year	-	-	-	1,347	1,347	-	1,347
Dividend paid	-	-	-	(313)	(313)	-	(313)
Balance as at 31 December 2007	8,947	-	-	4,411	13,358	-	13,358

(a)

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

(b) 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.

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 adopted FRS 107, Financial Instruments: Disclosure and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures) on 1 January 2007. FRS 107 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Other than the above, the Group has applied the same accounting policies and methods of computation in the financial statements for the financial year ended 31 December 2007 as compared with the audited financial statements as at 31 December 2006.

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.

	31.12.07	31.12.06
(i) Based on number of ordinary share in issue	0.70 cent	0.54 cent
(ii) On a fully diluted basis	0.70 cent	0.54 cent

The basic and dilutive earnings per share is calculated by dividing the group's profit for the year attributable to equity holders of the company of \$885,000 (2006: \$681,000) by the number of ordinary shares which is 125,000,000.

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	
	31.12.07	31.12.06	31.12.07	31.12.06
Net asset value per ordinary share based on number of shares in issue at end of period	11.66 cents	11.25 cents	10.68 cents	9.85 cents

Net asset value per ordinary share is calculated based on 125,000,000 ordinary shares at end of year.

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 increased by 29.5% from \$34.5 million in 2006 to \$44.7 million in 2007. This was mainly from increased orders in Vietnam and the addition of new businesses in Singapore.

Gross profit

Gross profit increase by 20% from S\$5.5 million in 2006 to \$6.6 million mainly on account of higher reported revenue.

Financial income

The decrease of 26.7% is mainly due to lower interest income.

Financial expense

The decrease in financial expense was mainly due to absence of foreign exchange loss.

Selling and distribution and administrative expenses

Selling and distribution expenses increase by 9.4% and administrative expenses increased by 21%. These were mainly due to the consolidation of the expenses of the new businesses and increase level of operations.

Other credit/(charges)

Other credit/(charges) increase by 93% mainly due to the reported gain on disposal of plant and equipment and reversal of provision for impairment of inventories.

Profit for the year

Profit for the year increased from S\$0.57 million in 2006 to S\$1 million in 2007.

Review of financial position

Cash and cash equivalent decreased by \$4.4 million mainly due to settlement of the construction loan of the new building at 2 Tractor Road, acquisition of plant, machineries and equipments and financing of business operations of subsidiaries.

Trade and other receivables increased by \$14 million mainly due to increase revenue towards the year-end and the consolidation of trade and other receivables of new subsidiary.

Inventory increased by \$2.5 million due to addition of inventories of a new subsidiary and to meet higher secured book orders on hand.

Total non-current assets increased by S\$6.5 million mainly due to purchase of plant, machineries and equipment for execution of project work of a subsidiary and completion of new building at 2 Tractor Road.

Total current liabilities increased by S\$16 million mainly due to higher purchases corresponding to higher sales order towards the year-end as well as consolidation of trade payables and accruals of the new subsidiary.

Total non-current liabilities increased by S\$0.8 million mainly due to financing for the purchase of plant, machineries and equipment.

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

Not applicable.

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.

We expect to continue riding on the robust economies in the region to drive growth. The Company is sanguine of increasing business from the booming Vietnam economy and higher contribution from our new relining & rehabilitation business locally. Barring unforeseen circumstances, we are optimistic of our growth prospects in the year ahead and we expect to stay profitable for financial year 2008.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

		Proposed dividend
Name of Dividend	:	First & Final
Dividend Type	:	Cash
Dividend Amount per Share	:	0.4 cent per share (tax exempt 1-tier)

The proposed first & final dividend, if approved at the forthcoming Annual General meeting, will be paid at a later date to be announced later.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend	:	First & Final
Dividend Type	:	Cash
Dividend Amount per Share	:	0.25 cent per share
Tax rate	:	18%

Geographical segments

The following table provides an analysis of the Group revenue by geographical market which is analysed based on the country of domicile of the customers:-

	<u>Sales revenue</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Singapore	12,930	8,039
Hong Kong	4,344	4,943
Vietnam	20,563	14,743
China	1,384	1,245
Indonesia	332	433
Others	5,173	5,138
	<u>44,726</u>	<u>34,541</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:-

	<u>Carrying amount of segment assets</u>		<u>Additions to property, plant and equipment</u>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Singapore	34,713	18,328	6,721	1,459
Hong Kong	3,094	2,085	11	6
Vietnam *	-	-	-	-
China	852	338	-	13
Indonesia	487	205	2	1
	<u>39,146</u>	<u>20,956</u>	<u>6,734</u>	<u>1,479</u>

* - Vietnam is a representative office.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Potable Water

The increase of revenue mainly came from more deliveries made to Vietnam projects.

15. A breakdown of sales.

	Group		% Increase(Decrease)
	2007 S\$'000	2006 S\$'000	
(a) Sales reported for first half year	19,926	12,625	57.8
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	616	(218)	382.6
(c) Sales reported for second half year	24,800	21,916	13.2
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	378	791	(52.2)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	2007 (S\$000)	2006 (S\$000)
Ordinary	500	312.5
Preference	-	-
Total:	500	312.5

BY ORDER OF THE BOARD

Koh Tiam Teng
Managing Director/Chief Executive Officer
27 February 2008