

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-07 S\$'000	30-Jun-06 S\$'000	Increase/ (Decrease) %
Revenue	19,926	12,625	57.8%
Cost of sales	(16,802)	(10,332)	62.6%
Gross profit	3,124	2,293	36.2%
Financial Income	83	62	33.9%
Financial expense	(18)	(66)	-72.7%
Distribution costs	(1,295)	(1,203)	7.6%
Administrative expenses	(1,284)	(1,331)	-3.5%
Other credits/(charges)	189	74	NM
Profit/(loss) before income tax	799	(171)	567.3%
Income tax expenses	(183)	(47)	289.4%
Profit/(loss) for the period	616	(218)	382.6%
Attributable to:			
Equity holders of the company	622	(110)	665.5%
Minority interest	(6)	(108)	NM
	616	(218)	382.6%

NM - Not meaningful

Notes to Income Statement	Group	Group	Increase/ (Decrease) %
	30 June 2007	30 June 2006	
	S\$'000	S\$'000	
<u>Revenue</u>			
Sales	19,839	12,337	60.8%
Contract revenue	-	231	NM
Commission income	10	11	-9.1%
Sundry income	77	32	140.6%
Rental income	-	14	NM
	<u>19,926</u>	<u>12,625</u>	<u>57.8%</u>
<u>Financial Income</u>			
Interest income	61	62	-1.6%
Reversal of impairment on trade debts	12	-	NM
Foreign exchange gain	10	-	NM
	<u>83</u>	<u>62</u>	<u>33.9%</u>
<u>Financial expenses</u>			
Provision for impairment on trade debts	-	(19)	NM
Foreign exchange loss	-	(25)	NM
Interest expense	(18)	(22)	-18.2%
	<u>(18)</u>	<u>(66)</u>	<u>-72.7%</u>
<u>Other (charges)/credit</u>			
Gain on disposal of property, plant and equipment	160	1	15900.0%
Reversal of provision for impairment for inventories	29	49	NM
Gain on disposal of investment in subsidiary	-	24	NM
	<u>189</u>	<u>74</u>	<u>155.4%</u>
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-07 S\$'000	Group 31-Dec-06 S\$'000	Company 30-Jun-07 S\$'000	Company 31-Dec-06 S\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	7,776	7,713	6,496	6,203
Asset held for sale	-	542	-	542
Trade and other receivables	13,113	7,916	10,977	6,463
Inventories	2,790	3,005	2,443	2,256
Total current assets	23,679	19,176	19,916	15,464
Non-current assets:				
Investments in subsidiaries	-	-	1,465	1,025
Other assets	78	78	78	78
Property, plant and equipment	4,272	1,702	3,759	1,654
Total non-current assets	4,350	1,780	5,302	2,757
Total assets	28,029	20,956	25,218	18,221
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	1,905	614	1,841	438
Trade and other payables	10,428	5,875	9,775	5,165
Current tax payable	73	101	26	-
Current portion of long-term borrowing	16	-	-	-
Current portion of finance leases	130	82	82	82
Total current liabilities	12,552	6,672	11,724	5,685
Non-current liabilities:				
Long-term borrowings	291	-	-	-
Finance leases	262	212	262	212
Deferred tax liabilities	100	-	100	-
Total non-current liabilities	653	212	362	212
Total Liabilities	13,205	6,884	12,086	5,897
Equity attributable to equity holders of the parent:				
Share capital	8,947	8,947	8,947	8,947
Other reserves	(163)	(123)	-	76
Retained earnings	5,635	5,248	4,185	3,301
	14,419	14,072	13,132	12,324
Minority Interest	405	-	-	-
Total equity	14,824	14,072	13,132	12,324

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

Amount repayable in one year or less, or on demand

As at 30.06.07		As at 31.12.06	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,051	NIL	696	NIL

Amount repayable after one year

As at 30.06.07		As at 31.12.06	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
553	NIL	212	NIL

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

The Group's bank loan is secured by :

- (i) A mortgage over the company's new leasehold land and building at 2 Tractor Road which the Company has moved in on 31 May 2007 and the construction loan has been repaid on 1 August 2007
- (ii) A negative pledge over the company's fixed and floating assets excluding certain inventories acquired under document credit.
- (iii) Corporate guarantee by the company for certain subsidiaries
- (iv) A mortgage over the subsidiary leasehold property at Block 1 Yishun Street 23, #03-07.

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.

	Group 30-Jun-07 S\$'000	Group 30-Jun-06 S\$'000
Cash flows from operating activities		
Profit/(loss) for the year	616	(218)
Adjustments for:		
Income tax expenses	183	47
Depreciation expense	123	133
Gain on disposal of investment in subsidiary	-	(24)
Net gain on disposal of plant and equipment	(159)	(1)
Interest income	(61)	(62)
Interest expense	18	22
Operating (loss)/profit before working capital changes	<u>720</u>	<u>(103)</u>
Trade & other receivables	(4,414)	(182)
Inventories	215	(307)
Trade & other payables	4,287	370
Cash generated from operations	<u>808</u>	<u>(222)</u>
Income tax paid	(110)	(280)
Net cash (used in) / from operating activities	<u>698</u>	<u>(502)</u>
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	700	1
Purchase of plant and equipment	(2,073)	(97)
Acquisition of subsidiary net of cash acquired	(231)	-
Cash outflow from disposal of subsidiary	-	(509)
Interest received	61	62
Net cash (used in) investing activities	<u>(1,543)</u>	<u>(543)</u>
Cash flows from financing activities		
Interest expenses paid	(18)	(22)
Dividend paid	(313)	(625)
Increase in borrowings	1,292	(20)
Decrease in finance lease	(89)	(36)
Net cash from (used in) financing activities	<u>872</u>	<u>(703)</u>
Net effect of exchange rate changes in consolidating foreign subsidiary	36	(110)
Net (decrease)/increase in cash and cash equivalents	63	(1,858)
Cash and cash equivalents at beginning of period	7,713	8,974
Cash and cash equivalents at end of year	<u>7,776</u>	<u>7,116</u>

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 purchased are as follows:-

	<u>\$'000</u>
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

Consideration paid	(440)
Less cash taken over	209

Net cash outflow	(231)
	=====

The contributions from the subsidiary for the period between the date of acquisition and 30 June before inter-company eliminations were as follows:

	<u>\$'000</u>
Revenue	-
Profit before tax	-
	=====

The revenue and profit of the subsidiary acquired during the year as though the acquisition date effected during the year had been beginning of that year were as follows:

	<u>\$'000</u>
Revenue	1,793
Profit before tax	471
	=====

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

GROUP	Foreign currency						Total Equity S\$'000
	Share Capital S\$'000	Capital Reserve S\$'000	Translation Reserve S\$'000	Retained Earnings S\$'000	Total S\$'000	Minority Interest S\$'000	
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
Balance as at 1 January 2007	8,947	76	(199)	5,248	14,072	-	14,072
Minority contributed to capital	-	-	-	-	-	405	405
Capital reserve transferred to retained earn	-	(76)	-	76	-	-	-
Profit for the period	-	-	-	622	622	-	622
Dividend paid	-	-	-	(313)	(313)	-	(313)
Foreign currency translation reserve	-	-	37	-	37	-	37
Balance as at 30 June 2007	8,947	-	(162)	5,633	14,418	405	14,823
(a)							
COMPANY							
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
Balance as at 1 January 2007	8,947	76	-	3,301	12,324	-	12,324
Capital reserve transferred to retained earn	-	(76)	-	76	-	-	-
Profit for the period	-	-	-	1,121	1,121	-	1,121
Dividend paid	-	-	-	(313)	(313)	-	(313)
Balance as at 30 June 2007	8,947	-	-	4,185	13,132	-	13,132

(a) 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 or revised Singapore Financial Reporting Standard ("FRS") that are mandatory for financial years beginning on or after 1 January 2007 and there is no significant effect on the financial statements.

6. Earnings/(loss) 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.

	30.06.07	30.06.06
(i) Based on weighted average number of ordinary share in issue	0.50 cents	(0.08) cents
(ii) On a fully diluted basis	0.50 cents	(0.08) cents

(i) & (ii) are based on 125,000,000 ordinary shares for 2007 and 2006.

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	
	30.06.07	31.12.06	30.06.07	31.12.06
Net asset value per ordinary share based on number of shares in issue at end of period	11.53 cents	11.26 cents	10.51 cents	9.86 cents

Based on 125,000,000 ordinary shares at end of each period.

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

Group Revenue was higher by 57.8% from \$12.6 million in the HY 2006 to \$19.9 million in HY 2007 due to increase in sales in Brunei and Vietnam. However, the gross profit increased only by 36.2% to \$3.1 million due to change in sales mix.

Group's profit before tax was \$799,000 compared to a loss of \$171,000 in HY2006. The profit for HY 2007 included a gain of \$160,000 from the disposal of real property and equipment at 16 Jalan Besut.

Review of financial position

Trade and other receivables increased from \$7.9 million to \$13.1 million and current liabilities increased by 89.6% from \$6.7 million to \$12.6 million in line with the increase of sales.

Fixed assets increased from \$1.7 million to \$4.3 million mainly due to the completion of new building at 2 Tractor Road and acquired subsidiary's property.

The Group's cash and cash equivalents increased slightly by \$63,000. The short-term borrowing of \$1.9 million as at 30 June 2007 was repaid on 1 August 2007.

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

The result was in line with the previous announcement on 22 February 2007.

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.

With effect from 1 July 2007, the Chinese government reduced the export rebate by 8%. This has resulted in higher import costs and is expected to translate into lower Gross profit margin for the 2nd half 2007. Nevertheless, the directors are optimistic that the Group will be profitable for the 2nd half year of 2007.

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

13. Board Negative Assurance Confirmation for Interim Financial Results

We, Mr Koh Tiam Teng and Mr Eddie Koh, being two directors of Pan Asian Water Solutions Limited (the "Company"), do hereby confirm, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the six months ended 30 June 2007 to be false or misleading.

On behalf of the Board of Directors

Mr Koh Tiam Teng
Director
10 August 2007

Mr Eddie Koh
Director

BY ORDER OF THE BOARD

Koh Tiam Teng
Managing Director/Chief Executive Officer
10 August 2007