

HALF YEAR 2008 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

	Half-year ended 30-Jun-08 S\$'000	Half-year ended 30-Jun-07 S\$'000	Increase/ (Decrease) %
Revenue	47,457	19,926	138.2%
Cost of Sales	(42,198)	(16,802)	151.1%
Gross Profit	5,259	3,124	68.3%
Other Items of Income			
Interest income	3	61	-95.1%
Other credits	113	211	-46.4%
Other Items of Expenses			
Marketing and distribution costs	(1,808)	(1,295)	39.6%
Administrative expenses	(1,967)	(1,284)	53.2%
Finance costs	(160)	(18)	788.9%
Other charges	(202)	-	NM
Profit before tax from Continuing Operations	1,238	799	54.9%
Income tax expense	(205)	(183)	12.0%
Profit, Net of Tax	1,033	616	67.7%
Profit Attributable to Equity holders of Parent, Net of Tax	740	622	19.0%
Profit/(Loss) Attributable to Minority Interest, Net of Tax	293	(6)	4983.3%
	1,033	616	67.7%

	Half-year ended 30-Jun-08 S\$'000	Half-year ended 30-Jun-07 S\$'000	Increase/ (Decrease) %
<u>Interest Income</u>			
Interest income	3	61	-95.1%
<u>Other credits</u>			
Gain on disposal of property, plant and equipment	111	160	-30.6%
Reversal of impairment on trade debts - outside parties	0	41	-100.0%
Foreign exchange gain	2	10	-80%
	<u>113</u>	<u>211</u>	<u>-46.4%</u>
<u>Finance costs</u>			
Interest expense to outside parties	<u>(160)</u>	<u>(18)</u>	788.9%
<u>Other charges</u>			
Provision for impairment on trade debts - outside parties	<u>(202)</u>	<u>-</u>	NM

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-08 S\$'000	Group 31-Dec-07 S\$'000	Company 30-Jun-08 S\$'000	Company 31-Dec-07 S\$'000
ASSETS				
Non-current assets:				
Property, plant and equipment	9,159	8,243	3,771	3,601
Investments in subsidiaries	-	-	1,681	1,406
Other assets	78	78	78	78
Total non-current assets	9,237	8,321	5,530	5,085
Current assets:				
Inventories	6,553	5,973	4,519	2,700
Trade and other receivables	23,497	20,451	20,299	17,618
Other assets	2,505	862	1,705	524
Cash and cash equivalents	4,469	3,317	3,122	1,947
Total current assets	37,024	30,603	29,645	22,789
Total assets	46,261	38,924	35,175	27,874
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent:				
Share capital	8,947	8,947	8,947	8,947
Other reserves	(331)	(267)	-	-
Retained earnings	6,136	5,896	4,405	4,352
	14,752	14,576	13,352	13,299
Minority Interest	812	519	-	-
Total equity	15,564	15,095	13,352	13,299
Non-current liabilities:				
Deferred tax liabilities	415	220	110	81
Other financial liabilities	270	281	-	-
Finance leases	848	585	273	185
Total non-current liabilities	1,533	1,086	383	266
Current liabilities:				
Income tax payable	3	83	30	73
Other financial liabilities	7,131	2,920	4,199	1,831
Current portion of finance leases	422	445	82	106
Trade and other payables	21,608	19,295	17,129	12,299
Total current liabilities	29,164	22,743	21,440	14,309
Total Liabilities	30,697	23,829	21,823	14,575
Total liabilities and equity	46,261	38,924	35,175	27,874

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-Jun-08		As at 31-Dec-07	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
7,131	NIL	2,920	NIL

Amount repayable after one year

As at 30-Jun-08		As at 31-Dec-07	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
270	NIL	281	NIL

Details of any collaterals

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

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

The mortgage over the Company's leasehold land and building at 2 Tractor Road has been fully discharged in early 2008.

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.

	Half-year ended 30-Jun-08 S\$'000	Half-year ended 30-Jun-07 S\$'000
Cash flows from operating activities		
Profit before taxation	1,238	799
Adjustments for:		
Depreciation expense	3,126	123
Net gain on disposal of plant and equipment	(111)	(160)
Interest income	(3)	(61)
Interest expense	160	18
Operating profit before working capital changes	<u>4,410</u>	<u>719</u>
Trade & other receivables	(3,046)	(4,253)
Other assets	(1,643)	(160)
Inventories	(580)	215
Trade & other payables	<u>2,311</u>	<u>4,287</u>
Cash generated from operations	1,452	808
Income tax paid	(90)	(110)
Net cash from operating activities	<u>1,362</u>	<u>698</u>
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	161	700
Purchase of plant and equipment	(3,257)	(2,073)
Cash outflow from acquisition of subsidiary	-	(231)
Interest received	3	61
Net cash used in investing activities	<u>(3,093)</u>	<u>(1,543)</u>
Cash flows from financing activities		
Interest expenses paid	(160)	(18)
Dividend paid	(500)	(313)
Increase in borrowings	2,102	1,292
Decrease in finance lease	(593)	(89)
Net cash from financing activities	<u>849</u>	<u>872</u>
Net effect of exchange rate changes in consolidating foreign subsidiaries		
	(64)	36
Net decrease in cash and cash equivalents	(946)	63
Cash and cash equivalents at beginning of period	<u>3,317</u>	<u>7,713</u>
Cash and cash equivalents at end of period	<u>2,371</u>	<u>7,776</u>
Represented by:		
Cash and cash equivalents	4,469	7,776
Bank overdrafts	(2,098)	-
	<u>2,371</u>	<u>7,776</u>

Non-cash transactions:

During the period, there were acquisitions of plant and equipment with a total cost of S\$833,000 (2007: Nil) acquired by way of finance lease.

In 2007:

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 acquired 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 30 June 2007 before inter-company eliminations were as follows:-

	\$'000
Revenue	-
Profit before tax	-
	=====

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	Other Reserves S\$'000	Retained Earnings S\$'000	Total S\$'000	Minority Interest S\$'000	Total Equity S\$'000
Balance as at 1 January 2007	8,947	(123)	5,248	14,072	-	14,072
Capital reserve transferred to retained earnings		(76)	76			-
Minority interest contribution to capital					405	405
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
Balance as at 1 January 2008	8,947	(267)	5,896	14,576	519	15,095
Profit for the period	-	-	740	740	293	1,033
Dividend paid	-	-	(500)	(500)	-	(500)
Foreign currency translation reserve	-	(64)	-	(64)	-	(64)
Balance as at 30 June 2008	8,947	(331)	6,136	14,752	812	15,564
		(a)				
<u>COMPANY</u>						
Balance as at 1 January 2007	8,947	76	3,301	12,324	-	12,324
Capital reserve transfer to retained earnings		(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
Balance as at 1 January 2008	8,947	-	4,352	13,299		13,299
Profit for the period	-	-	553	553	-	553
Dividend paid	-	-	(500)	(500)	-	(500)
Balance as at 30 June 2008	8,947	-	4,405	13,352	-	13,352
		(a)				

(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

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

125,000,000 shares (No treasury shares)

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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 applied the same accounting policies and methods of computation in the financial statements for the half-year ended 30 June 2008 as compared with the audited financial statements as at 31 December 2007.

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.

	Half-year ended 30 June 2008	Half-year ended 30 June 2007
(i) Based on number of ordinary share in issue	0.59 cent	0.50 cent
(ii) On a fully diluted basis	0.59 cent	0.50 cent

The basic and dilutive earnings per share is calculated by dividing the group's profit for the half-year period attributable to equity holders of the company of \$740,000 (2007: \$622,000) 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	
	30.6.2008	31.12.07	30.6.2008	31.12.07
Net asset value per ordinary share based on number of shares in issue at end of period	11.80 cents	11.66 cents	10.68 cents	10.64 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 rose 138.2% to S\$47.4 million for the half-year period ended 30 June 2008 ("1H08") from S\$19.9 million in 1H07. This growth is underpinned by a 74% increase in sales from its piping distribution business as well as significant contribution from the new relining & rehabilitation business – which was acquired in June 2007. The new business contributed 27% of 1H08 revenue.

Gross profit

Gross profit increased by 68.3% to S\$5.3 million in 1H08 from S\$3.1 million in the corresponding period last year. Gross profit margin declined from 15.6% in 1H07 to 11.1% in 1H08. This was due to the overall decline in margins on larger value orders secured and change of product mix. This lower margin however has enabled the Group to secure several major projects and also to break into new markets in 1H08, thus boosting revenue and profit growth.

Interest income

Interest income declined mainly due to lower fixed deposits placed with banks.

Other credits

Other credits declined due to lower gain on disposal of property, plant & equipment and absence of last year's reversal of impairment on trade debts owed by non-related parties

Selling and distribution expenses

Selling and distribution expenses increased by 39.6% as the Group enlarged its operations to support more customers and take on more projects.

Administrative expenses

Administrative expenses increased by 53.2% to \$2 million in 1H08 as compared to S\$1.3 million in 1H07, mainly due to consolidation of relining & rehabilitation business expenses and increased overheads to support a larger scale of operations.

Finance costs

Finance costs were higher due to increased bank charges incurred to support higher sales volume and increased borrowings to finance enlarged business operations.

Other charges

Other charges increased mainly due to impairment of doubtful trade debts owed by non-related parties.

Profit for the period

Net profit after tax increased from S\$0.6 million in 1H07 to S\$1 million in 1H08. This increase was disproportionate to the increase in revenue due to lower gross margins and change in product mix. After minority interest (Teacly's other shareholder), the net profit is S\$0.74m.

Review of financial position

Trade and other receivables and other assets increased by \$4.7 million mainly due to the significant increase in sales.

Total current liabilities increased by \$6.4 million mainly due to 1) higher borrowings incurred to finance business operations and 2) increased trade and other payables in line with higher sales volume.

Total group borrowings increased by S\$4.2 million as at 30 June 2008. The borrowings were used to finance the Group's expansion of the traditional piping distribution as well as fund the new pipe relining and rehabilitation business.

Review of cash flow

Net cash generated from operating activities increased to S\$1.4 million in 1H08 from S\$0.7 million in 1H07 in line with the increase in turnover and profit.

Net cash used in investing activities increased to S\$3.1 million in 1H08 from S\$1.5 million in 1H07 as the Group invested in plant and equipment for the relining & rehabilitation business.

Total cash and cash equivalents decreased by S\$0.95 million for the 1H08.

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.

The Group expects outlook for the water industry to remain buoyant over the medium term. It sees promising growth opportunities for its water businesses in Asia, where rapid industrialisation and growing environmental awareness have led to an increase in demand for water-related technology and services.

In Singapore, the national water agency PUB has announced that it plans to award 120 tenders worth S\$1.1 billion from July 2008 to June 2009. With more than 20 years of track record in the local water industry, the Group expects to benefit from this trend and will focus on securing more local contracts over 2H08.

The Group's regional expansion has gained momentum following major contract wins in Hong Kong, Vietnam and Ireland subsequent to the end of 1H08. It sees growth opportunities in China, Indonesia, Hong Kong and Brunei, and will seek to strengthen its presence in these markets.

The Group's secured book orders at 30 June 2008 amounted to S\$78 million. The Board is optimistic that FY2008 will be better than FY2007.

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

N/A.

(d) Books closure date

N/A.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the 6 months financial period ended 30 June 2008.

13. Board Negative Assurance Confirmation For Interim Financial Results

We, Mr. Koh Tiam Teng and Mr. Koh Eddie, being two directors of Pan Asian Water Solutions Limited (the "Company"), do hereby confirm, to our best knowledge, that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the six months period ended 30 June 2008 to be false or misleading in all material aspects.

14. Interested Persons Transactions

Name of Interested Person	Aggregate value of all interested persons transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$000	Aggregate value of all interested person transactions conducted under shareholder' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$000
Purchases from:		
Duvalco International Pte Ltd	-	880
Sinzhong Valves & Fittings (Wuxi) Co., Ltd	-	563

BY ORDER OF THE BOARD

Koh Tiam Teng
Chairman & Managing Director/Chief Executive Officer
12 August 2008