
UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

This announcement has been prepared by Memiontec Holdings Ltd. (the "Company") and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Background

Memiontec Holdings Ltd. (the "Company") together with its subsidiaries (the "Group" or "Memiontec"), was listed on the Catalist Board of the SGX-ST on 5 March 2020, pursuant to an initial public offering (the "IPO") exercise. The Company was incorporated in Singapore on 6 March 2013 as a private company limited by shares under the name "Memiontec Holdings Pte. Ltd." in accordance with Singapore Companies Act. Pursuant to the restructuring exercise (the "Restructuring Exercise") as disclosed in the Company's Offer Document dated 21 February 2020 (the "Offer Document"), the Company was converted into a public limited company on 30 December 2019 and accordingly its name was changed to "Memiontec Holdings Ltd.". Please refer to the Offer Document for further details on the Restructuring Exercise.

Memiontec is a one-stop water technology total solutions provider in water management with a proven track record of over 20 years in water industry. Through integrated use of membrane, ion exchange, physical, chemical and biological processes and leveraging on our in-house design, engineering, fabrication and assembly capabilities, Memiontec customises and develops reliable, compact, cost-effective, innovative and space-efficient water and wastewater treatment solutions for use in both municipalities and in a wide variety of industries, primarily in Singapore, Indonesia and the PRC.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS ANNOUNCEMENTS

1(a)(i) An consolidated statement of profit or loss and other comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group		Increase / (Decrease) %
	1H2020 ⁽¹⁾ S\$'000 (Unaudited)	1H2019 ⁽¹⁾ S\$'000 (Unaudited)	
Revenue	14,461	14,100	2.6
Cost of sales	(12,643)	(11,646)	8.6
Gross profit	1,818	2,454	(25.9)
Other income	720	295	144.1
General and administrative expenses	(1,893)	(1,619)	16.9
Share of (loss) profit of a joint venture	(101)	13	N.M
Finance costs	(61)	(77)	(20.8)
Other operating expenses	(353)	(435)	(18.9)
Profit before income tax ⁽²⁾	130	631	(79.4)
Income tax expense	(110)	(276)	(60.1)
Profit for the period ⁽²⁾	20	355	(94.4)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss :			
Exchange losses on translation of foreign operations	157	(15)	N.M
Other comprehensive income for the period, net of tax	157	(15)	N.M
Total comprehensive income for the period	177	340	(47.9)
Profit for the period attributable to:			
Owners of the Company	21	355	(94.1)
Non-controlling interests	(1)	- ⁽³⁾	N.M
	20	355	(94.4)
Total comprehensive income attributable to:			
Owners of the Company	176	339	(48.1)
Non-controlling interests	1	1	0.0
	177	340	(47.9)

N.M denotes not meaningful.

Notes:

⁽¹⁾ "1H2020" refers to half year ended 30 June 2020 and "1H2019" refers to half year ended 30 June 2019.

⁽²⁾ Excluding one-off listing expenses of S\$349,000 (1H2019: S\$433,000), our profit before income tax and profit for the period in 1H2020 would have been S\$479,000 (1H2019: S\$1,064,000) and S\$369,000 (1H2019: S\$788,000) respectively.

⁽³⁾ Less than S\$1,000.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

1(a)(ii) Notes to Consolidated Statement of Profit or Loss

	Group		Increase / (Decrease) %
	1H2020 S\$'000 (Unaudited)	1H2019 S\$'000 (Unaudited)	
The Group's net profit was arrived after crediting / (charging) the following :			
Depreciation of property, plant and equipment	(65)	(96)	(31.9) ⁽¹⁾
Depreciation of right-of-use assets	(78)	(62)	26.5 ⁽²⁾
Directors' fees	(63)	-	N.M
Foreign exchange gain, net	106	142	(25.3) ⁽³⁾
Government grant income	577	5	N.M
Gain on disposal of property, plant and equipment	-	6	N.M
Interest income - banks	28	138	(80.1)
Listing expenses	(349)	(433)	(19.4)

N.M denotes not meaningful.

Notes:

⁽¹⁾ The decrease in depreciation of property, plant and equipment was due mainly to the absence of depreciation charges incurred on a leasehold property of a former subsidiary which was disposed in May 2019.

⁽²⁾ The increase in depreciation of right-of-use assets was due to the additions of right-of use assets in the second half of FY2019.

⁽³⁾ The foreign exchange gain remained relatively the same as previous financial period and it arose from the movements of certain foreign currencies in both financial periods.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30-Jun-20 S\$'000 (Unaudited)	As at 31-Dec-19 S\$'000 (Audited)	As at 30-Jun-20 S\$'000 (Unaudited)	As at 31-Dec-19 S\$'000 (Audited)
Assets				
Current assets				
Cash and cash equivalents	10,743	4,901	6,755	1,069
Trade and other receivables	5,159	4,567	2,421	1,100
Contract assets	8,805	7,551	-	-
Inventories	71	1,083	-	-
Total current assets	24,778	18,102	9,176	2,169
Non-current assets				
Property, plant and equipment	1,397	1,403	-	-
Right-of use-assets	339	345	-	-
Investment in subsidiaries	-	-	3,939	3,939
Investment in a joint venture	2,080	2,182	-	-
Deferred tax assets	36	34	-	-
Total non-current assets	3,852	3,964	3,939	3,939
Total assets	28,630	22,066	13,115	6,108
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	10,774	11,332	1,775	1,597
Contract liabilities	671	312	-	-
Lease liabilities	165	150	-	-
Borrowings	232	251	-	-
Income tax payable	137	335	-	-
Total current liabilities	11,979	12,380	1,775	1,597
Non-current liabilities				
Lease liabilities	196	192	-	-
Borrowings	144	248	-	-
Retirement benefit obligations	209	202	-	-
Deferred tax liabilities	8	8	-	-
Total non-current liabilities	557	650	-	-
Capital, reserves and non-controlling interests				
Share capital	12,086	3,905	12,086	3,905
Translation reserve	(188)	(343)	-	-
Other reserves	(914)	133	-	1,047
Retained earnings	5,066	5,298	(746)	(441)
Equity attributable to owners of the Company	16,050	8,993	11,340	4,511
Non-controlling interests	44	43	-	-
Total equity	16,094	9,036	11,340	4,511
Total liabilities and equity	28,630	22,066	13,115	6,108

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	Group			
	As at 30-Jun-20		As at 31-Dec-19	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	281	116	293	108
Amount repayable after one year	279	61	347	93
<i>Total</i>	<u>560</u>	<u>177</u>	<u>640</u>	<u>201</u>

The Group's borrowings include bank loans and lease liabilities. The Group does not have any debt securities as at 30 June 2020 and 31 December 2019.

Details of any collateral(s)

(1) Bank loans of S\$375,000 as at 30 June 2020 (31 December 2019 : S\$499,000) are secured by joint and several personal guarantees from certain directors of the Company.

(2) Lease liabilities of S\$185,000 as at 30 June 2020 (31 December 2019 : S\$141,000) are secured by charges over leased assets and/ or a personal guarantee from a director of the Company.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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

Consolidated Statement of Cashflows

	Group	
	1H2020 S\$'000 (Unaudited)	1H2019 S\$'000 (Unaudited)
Operating activities		
Profit before income tax	130	631
Adjustments for:		
Depreciation of property, plant and equipment	65	96
Depreciation of right-of-use assets	78	62
Share of loss (profit) of a joint venture	101	(13)
Interest expense	61	77
Interest income	(28)	(138)
Gain on disposal of property, plant and equipment	-	(6)
Non cash payment of listing expenses	149	-
Net foreign exchange loss (gain)	89	(102)
Operating cash flows before movements in working capital	645	607
Trade and other receivables	(589)	(1,369)
Contract assets	(1,254)	(2,119)
Inventories	1,012	155
Trade and other payables	(596)	2,160
Contract liabilities	359	674
Cash (used in) generated from operations	(423)	108
Income tax paid	(310)	(434)
Interest income received	28	138
Net cash used in operating activities	(705)	(188)
Investing activities		
Purchase of property, plant and equipment	(25)	(10)
Additions of right-of-use assets	-	(7)
Proceeds from disposal of property, plant and equipment	-	6
Proceeds from disposal of a subsidiary	-	(14)
Net cash used in investing activities	(25)	(25)
Financing activities		
Proceeds from issuance of new shares from IPO exercise	7,534	-
Payment of transaction cost in connection to issuance of shares	(548)	-
Interest paid	(28)	(57)
Advances from directors	5	301
Dividends paid	(253)	-
Repayments of borrowings	(124)	(233)
Repayments of lease liabilities	(54)	(60)
Net cash from (used in) financing activities	6,532	(49)
Net increase (decrease) in cash and cash equivalents	5,802	(262)
Cash and cash equivalents at beginning of the period	4,901	5,594
Effect of exchange rate changes on the balance of cash held in foreign currencies	40	54
Cash and cash equivalents at end of the period	10,743	5,386

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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.

STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$'000	Translation reserve S\$'000	Other reserves S\$'000	Retained earnings S\$'000	Equity attributable to the owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance as at 1 January 2020	3,905	(343)	133	5,298	8,993	43	9,036
Total comprehensive income for the period:							
Profit for the period	-	-	-	21	21	(1)	20
Other comprehensive income for the	-	155	-	-	155	2	157
Total	-	155	-	21	176	1	177
<i>Transactions with owners, recognised directly in equity:</i>							
- Issuance of new ordinary shares	8,181	-	(1,047)	-	7,134	-	7,134
- Dividends	-	-	-	(253)	(253)	-	(253)
Total	8,181	-	(1,047)	(253)	6,881	-	6,881
Balance as at 30 June 2020	12,086	(188)	(914)	5,066	16,050	44	16,094
Balance as at 1 January 2019	60	(635)	1,500	8,237	9,162	277	9,439
Total comprehensive income for the period:							
Profit for the period	-	-	-	355	355	-	355
Other comprehensive income for the	-	(16)	-	-	(16)	1	(15)
Total	-	(16)	-	355	339	1	340
<i>Transactions with owners, recognised directly in equity:</i>							
- Effect arising from Group's restructuring	(60)	324	112	-	376	(245)	131
- Issuance of new ordinary shares	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	-
Total	(60)	324	112	-	376	(245)	131
Balance as at 30 June 2019	- ⁽¹⁾	(327)	1,612	8,592	9,877	33	9,910

⁽¹⁾ Less than S\$1,000.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

Company	Share capital S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance as at 1 January 2020	3,905	1,047	(441)	4,511
Total comprehensive income for the period:				
Profit for the period	-	-	(52)	(52)
Other comprehensive income for the	-	-	-	-
Total	-	-	(52)	(52)
<i>Transactions with owners, recognised directly in equity:</i>				
- Issuance of new ordinary shares	8,181	(1,047)	-	7,134
- Dividends	-	-	(253)	(253)
Total	8,181	(1,047)	(253)	6,881
Balance as at 30 June 2020	12,086	-	(746)	11,340
Balance as at 1 January 2019	-	3,905	(903)	3,002
Total comprehensive income for the period:				
Profit for the period	-	-	(13)	(13)
Total	-	-	(13)	(13)
Balance as at 30 June 2019	-	3,905	(916)	2,989

⁽¹⁾ Less than S\$1,000.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

	Issued and paid up share capital	
	Number of shares	S\$'000
Balance as at 1 January 2020	100	- ⁽¹⁾
- Issuance of shares pursuant to the Restructuring Exercise, prior to sub-division	3,904,462	3,905
	<u>3,904,562</u>	<u>3,905</u>
- Sub-division exercise ⁽²⁾	179,610,000	3,905
- Issuance of shares to the Pre-IPO investor ⁽³⁾	6,502,000	1,047
- Issuance of shares to the Sponsor and Issue Manager of the IPO as part of satisfaction of issue manager's fees ⁽⁴⁾	660,000	149
- Issuance of shares from IPO exercise ⁽⁵⁾	33,485,000	7,534
- Less: Transaction cost in relation to share issuance	-	(549)
Balance as at 30 June 2020	<u>220,257,000</u>	<u>12,086</u>

Notes:

⁽¹⁾ Less than S\$1,000.

⁽²⁾ On 18 February 2020, the shareholders of the Company approved the sub-division of the existing ordinary shares of 3,904,562 into 179,610,000 ordinary shares in the issued capital of the Company.

⁽³⁾ On 19 February 2020, the advance for the subscription of the Company's shares of S\$1,046,822 was converted into 6,502,000 new ordinary shares in the capital of the Company.

⁽⁴⁾ On 3 March 2020, the Company issued 660,000 new ordinary shares to ZICO Capital Pte. Ltd. (the Sponsor and Issue Manager of the IPO) as part satisfaction of management fees in connection with the IPO of the Company.

⁽⁵⁾ On 3 March 2020, the Company allotted and issued 33,485,000 new ordinary shares in the capital of the Company for a consideration of S\$7.53 million as part of its IPO exercise.

The Company did not have any treasury shares, subsidiary holdings or other convertibles as at 30 June 2020 and 30 June 2019.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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

	As at 30-Jun-20	As at 31-Dec-19
Total number of issued shares excluding treasury shares	220,257,000	100

The Company did not have any treasury shares as at 31 December 2019 and 30 June 2020.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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

The figures have not been audited or reviewed by the auditors of the Company.

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2019 were not subject to an adverse opinion, qualified opinion or disclaimer opinion issued by the auditors.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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 Group and the Company have consistently applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period reported on, as compared to the most recently audited financial statements for the financial year ended 31 December 2019.

5. If there are 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 standards, amendments to standards and interpretations that are relevant to the Group and the Company, and which are effective from the annual periods beginning on 1 January 2020. The adoption of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

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

	Group	
	1H 2020	1H 2019
Profit attributable to owners of the Company (S\$'000)	21	355
Weighted average number of ordinary shares	210,701,495	179,610,000 ⁽¹⁾
Earnings per share (basic and diluted ²) - Singapore cents	<u>0.01</u>	<u>0.20</u>

Notes:

⁽¹⁾ For 1H2019, the earnings per share had been computed based on profit attributable to owners of the Company and the Company's enlarged share capital of 179,610,000 shares, assuming that the sub-division of 3,904,562 shares in the capital of the Company into 179,610,000 shares had been completed as at end of 1H2019.

⁽²⁾ The diluted earnings per share for the relevant financial periods are the same as the basic earnings per share as the Group does not have any dilutive instruments.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Net Asset Value per share (Singapore cents)	7.29	5.01	5.15	2.51
Net Asset Value (S\$'000)	16,050	8,993	11,340	4,511
Number of ordinary shares ⁽¹⁾	220,257,000	179,610,000	220,257,000	179,610,000

Note:

⁽¹⁾ The number of ordinary shares in issue used in the computation of Net Asset Value per ordinary share as at 31 December 2019 has been retrospectively adjusted to reflect the share sub-division exercise, assuming such transactions had occurred as at 31 December 2019.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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 financial period reported on.

8.1 Review of Group's performance

Revenue

The Group registered revenue of S\$14.46 million for 1H2020, an increase of S\$0.36 million, or 2.6%, compared to revenue of S\$14.10 million in 1H2019. The increase would be higher if not for some extent of delays experienced in our Total Solutions with Engineering, Procurement and Construction ("TSEPC") projects due to supply chain and manpower supply disruptions caused by COVID-19 which also affected our other business segments. The increase was mainly contributed by the increase in revenue from our TSEPC segment by S\$1.14 million and the increase in Sale of Water segment by S\$0.03 million. The increase was partially offset by the decrease in our Operations, Maintenance and Services ("OMS") as well as Trading and Distribution segments by S\$0.23 million and S\$0.57 million respectively.

The reasons for the variances in the Group's business segments for 1H2020, as compared to 1H2019, were as follows:

- The increase in revenue from TSEPC segment was due mainly to higher value contracts secured in the previous year and executed during the period.
- The increase in revenue from Sale of Water segment was due mainly to higher sales achieved by our Transfer-Operate-Own-Transfer (TOOT) project carried out by our joint operation in Indonesia during the period.
- The decrease in revenue from OMS segment was due mainly to lesser OMS activities carried out during the "Circuit Breaker" period in Singapore as the non-essential activities (such as replacement of parts or equipment) were postponed by our customers. The decrease was partially offset by the increase in OMS service rendered to the joint venture's water treatment plant in Indonesia.
- The decrease in Trading and Distribution was due mainly to absence of revenue from higher value trading contracts in the period.

Cost of sales

Cost of sales increased by S\$1.00 million or 8.6% to S\$12.64 million in 1H2020 from S\$11.65 million in 1H2019, mainly due to the increase in sales as well as the additional administrative, logistic, staff costs and other incidental costs incurred to comply with COVID-19 regulatory requirements and stringent measures at project sites during the period.

Gross profit margin

The Group generated a gross profit of S\$1.82 million (1H2019 : S\$2.45 million) and reported a decline of 4.8 percentage points in gross profit margin, from 12.6% in 1H2019 to 17.4% in 1H2020. The lower gross profit margin was mainly due to the lower gross margin contributed from the TSEPC and OMS segments arising mainly from the increase in material costs and subcontractors costs and additional costs incurred as the negative effect of COVID-19 incurred in 1H2020.

Other income

Other income increased by S\$0.42 million or 144.10%, mainly due to the increase in various grant income of S\$0.56 million, partially offset by the decrease in interest income from fixed deposits of S\$0.11 million due to lower fixed deposit balance, coupled with the effect of lower interest rate as compared to previous corresponding period. Grant income comprises mainly (a) the SGX listing grant of S\$0.20 million; and (b) other government grants of S\$0.36 million, mainly from various government subsidies to defray companies' payroll burden during the COVID-19 pandemic (such as Jobs Support Scheme and foreign workers' levy rebates).

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

General and administrative expenses

General and administrative expenses increased by S\$0.27 million or 16.9%, primarily due to increase in post-listing compliance costs such as listing fee, independent directors' fees, sponsor fee, etc, which amounted to S\$0.20 million and an increase in executive directors and staff costs of S\$0.21 million, due mainly to the increase in headcount in Singapore and Indonesia, partially offset by the decrease in travelling expenses of S\$0.12 million due to lower overseas business travelling during the pandemic.

Share of (loss) profit of a joint venture

The share of loss of a joint venture related to the Group's 40% interest in PT Jakpro Memiontec Air, which amounted to S\$0.10 million in 1H2020, compared to a share of profit of S\$0.01 million in 1H2019. The loss in 1H2020 was mainly due to the lower revenue generated by the water treatment facility at our BOOT waster water and water treatment plant at Hutan Kota as the facility is currently running at Phase 1 capacity of 200 Litres Per Second ("LPS") and expected to increase to full capacity of 500 LPS once the distribution piping network for the supply of 300 LPS is completed by the local water authority. The construction for the distribution piping network was inadvertently delayed by the unforeseen COVID-19 pandemic.

Finance costs

Finance costs decreased by S\$0.02 million or 20.8%, mainly due to lower bank interests with regular loan repayments been made. The decrease is partially offset by the interest on loans / advances extended by founding directors to the Group.

Other operating expenses

Other operating expenses decreased by S\$0.08 million or 18.9%, mainly to lower listing expenses in the current period. The Company was listed on the Catalist Board of SGX-ST on 5 March 2020.

Income tax expense

Income tax expense decreased by S\$0.17 million or 60.1%, mainly due to lower estimated chargeable income during the period.

Profit before tax

Profit before tax decreased by S\$0.50 million or 60.1%, from S\$0.63 million in 1H2019 to S\$0.13 million in 1H2020.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

8.2 Review of Group's Financial Position

Current assets

Current assets increased by S\$6.67 million or 36.9%, from S\$18.10 million as at 31 December 2019 to S\$24.78 million as at 30 June 2020. The increase was mainly due to the increase in cash and cash equivalents of S\$5.84 million, contract assets of S\$1.25 million and trade and other receivables of S\$0.59 million, partially offset by the decrease in inventories of S\$1.01 million.

Cash and cash equivalents increased by S\$5.84 million, from S\$4.90 million as at 31 December 2019 to S\$10.74 million as at 30 June 2020, mainly contributed by the net proceeds from our IPO exercise. The IPO net proceeds of S\$5.82 million has strengthened our cash position and will equip us with the resources to broaden our respective business segments, make strategic investments and ensure adequate working capital for the smooth running of our business.

Contract assets relates to our Group's right to consideration for work completed and not billed as the right to consideration is conditioned on our Group's future performance in satisfying performance obligations in respect of our TSEPC projects. The increase in contract assets of S\$1.25 million, from S\$7.55 million as at 31 December 2019 to S\$8.81 million as at 30 June 2020, was mainly due to unbilled works for our TSEPC projects and OMS from slower certification of our work progresses from some customers during the partial lockdown imposed in Singapore and Indonesia.

Trade and other receivables increased by S\$0.59 million, from S\$4.57 million as at 31 December 2019 to S\$5.16 million as at 30 June 2020. The increase was mainly due to the increase in unbilled trade receivables.

Inventories decreased by S\$1.01 million, from S\$1.08 million as at 31 December 2019 to S\$0.07 million as at 30 June 2020. Inventories as of 31 December 2019 was mainly made up of water treatment equipment and parts which were on transit from the suppliers' premise as of previous year end, of which such inventories were subsequently deployed in our projects during the period.

Non-current assets

Non-current assets decreased by S\$0.11 million or 2.8%, from S\$3.96 million as at 31 December 2019 to S\$3.85 million as at 30 June 2020. The decrease was mainly due to the share of loss of a joint venture of S\$0.10 million and depreciation expenses on property, plant and equipment and rights-of-use assets of S\$0.14 million, partially offset by additions of property, plant and equipment during the period.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

Current liabilities

Current liabilities decreased by S\$0.40 million or 3.2%, from S\$12.38 million as at 31 December 2019 to S\$11.98 million as at 30 June 2020. This was mainly due to the decrease in trade and other payables of S\$0.56 million and decrease in income tax payable of S\$0.20 million, and partially offset by an increase in contract liabilities of S\$0.36 million.

Trade and other payables decreased from S\$11.33 million as at 31 December 2019 to S\$10.77 million as at 30 June 2020, mainly due to repayment of non-trade payables of approximately S\$0.50 million arising from the IPO exercise and subsequent payments of accrued payroll costs as of 31 December 2019.

Contract liabilities increased from S\$0.31 million as at 31 December 2019 to S\$0.67 million as at 30 June 2020, mainly due to increase in advanced billings to customers during the period.

Income tax payable decreased from S\$0.34 million as at 31 December 2019 to S\$0.14 million as at 30 June 2020, due to repayments of previous year's assessed tax and lower tax provision made for the period as a result of lower profits of the Group.

Non current liabilities

Non current liabilities decreased by S\$0.09 million or 0.01%, from S\$0.65 million as at 31 December 2019 to S\$0.57 million as at 30 June 2020. The decrease was mainly due to repayment of borrowings on instalment basis during the period.

Total equity

Total equity increased by 78.1% or S\$7.06 million, from S\$9.04 million as at 31 December 2019 to S\$16.1 million as at 30 June 2020. The increase was due to the increase in share capital by S\$8.18 million (refer to Item 1(d)(ii) for more information), increase in translation reserve of S\$0.16 million and profit for the period of S\$0.02 million. The increase was partially offset by the reduction in capital reserve by S\$1.05 million (refer to Item 1(d)(ii) for more information) and distribution of dividends of S\$0.24 million during the period.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

8.3 Review of Group's Cash Flows

Net cash used in operating activities amounted to S\$0.71 million, comprising operating cash flows before movements in working capital of S\$0.64 million, net working capital outflow of S\$1.07 million, income tax paid of S\$0.31 million and interest income received of S\$0.03 million. The negative operating cash flows in 1H2020 was due mainly to one-off payments for IPO related expenses (charged into profit or loss portion) amounting to S\$0.58 million as well as slower customers' certification of our progress claims for works performed up to 1H2020 as a result of COVID-19 measures in the second quarter. Excluding the one-off payments for IPO related expenses (charged into profit or loss portion), the negative operating cash flows in 1H2020 would have been S\$0.12 million. Subsequent to the reporting period end, the Group managed to follow up with the customers on the pending certifications up to S\$2.18 million and has received such amount in early August 2020.

	1H2020 S\$'000	1H 2019 S\$'000
Net cash used in operating activities	(705)	(188)
Less: One-off payments for IPO related expenses (charged into profit or loss portion)	580	-
	<u>(125)</u>	<u>(188)</u>

Net cash flow used in investing activities amounted to S\$0.02 million in 1H2020, mainly related to purchases of property, plant and equipment.

Net cash from financing activities in 1H2020 of S\$6.53 million was mainly from the net proceeds from the issuance of new shares in connection with our IPO exercise of S\$7.53 million, partially offset by payment of transaction cost in connection to the issuance of share of S\$0.55 million (charged directly into equity), distribution of dividends of S\$0.25 million and repayment of borrowing and leases of S\$0.18 million.

Consequently, overall cash and cash equivalents increased by S\$5.80 million to \$10.74 million as at 30 June 2020.

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

The unaudited financial results for 1H2020 set out in this announcement are in line with the trend information disclosed in the section entitled "General Information on our Group - Trend Information" of the Offer Document.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

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 COVID-19 pandemic has affected our Group's business and operations negatively in the first half of FY2020 and is expected to continue for the second half of the year, as updated by the Company to its shareholders during its inaugural Annual General Meeting held on 13 May 2020.

In our key operating markets, the Group is considered as an essential services provider, being a core contractor of PUB in Singapore and a water management company in Indonesia. This has allowed us to execute some works during the "Circuit Breaker" period in Singapore and partial lockdown period in Indonesia. Despite the unavoidable disruptions in our Operation, Maintenance and Service (OMS) contracts and the delays and suspension in some of our Total Solution EPC (TSEPC) projects, the Group still managed to achieve a marginal growth of 3% in revenue for first half year ended 30 June 2020, as compared to the corresponding period last year.

With the gradual reopening of construction activities over the last two months, our Group has resumed the supply chain and operational activities in Singapore and Indonesia, while adopting appropriate measures to comply with regulatory requirements and safeguard the safety and well-being of our employees. We will continue to upgrade and strengthen the capabilities of our human and IT resources for higher work productivity and efficient cost management, amidst the changing work environment.

Our Jakarta joint venture with a state-owned company, PT Jakarta Propertindo (PT Jakpro) under a BOOT arrangement, commences its commercial operations from December 2019. The operations and maintenance of the plant is outsourced to our subsidiary in Indonesia and this has positively contributed to the Group's revenue in the first half of 2020. The plant is expected to increase its production capacity in the near future, depending on local conditions.

The demand for solutions and infrastructure in the water industry, for both the municipal and private sectors, will continue to grow, where we could focus and tap on the increasing demand for sales orders. Leveraging on our track records for our OMS, TSEPC works and BOOT projects, we will extend our sales to the region and seek out viable mergers and acquisitions, and BOOT projects that are strategic to our Group so as to build up recurring income streams for business sustainability, barring unforeseen circumstances. With our current book order, up-coming prospective tenders and the diversified nature of our business portfolio, we are cautiously optimistic in overcoming the uncertainties and challenges ahead and will continue to monitor and adapt to the evolving COVID-19 situation. We shall keep shareholders informed of any material developments that may impact our operations and performance as and when they arise.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

11. Dividend.

(a) Any dividend recommended/declared for the current financial period reported on?

Nil.

(b) Any dividend recommended/declared for the corresponding period of the immediately preceding financial

Nil.

(c) The date the dividend is payable.

Not applicable.

(d) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the current financial period under review as the board of directors of the Company deems it appropriate to conserve cash for the Group's business activities and growth in view of the COVID-19 pandemic.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a shareholders' mandate for interested person transactions. There were no interested person transactions for S\$100,000 or more for the current financial period under review.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

The Company confirms that all the required undertakings under Rule 720(1) of the Catalist Rules have been obtained from all its directors and executive officers in the format set out in Appendix 7H of the Catalist Rules.

UNAUDITED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020

15. Update on use of IPO proceeds

Pursuant to the IPO, the Company raised total proceeds (after deducting expenses incurred in connection with the IPO) amounting to approximately S\$5.82 million ("Net Proceeds"). The use of IPO proceeds is summarised as follows:

Group	Net Proceeds after reallocation as of 3-Jun-20 ⁽¹⁾	Amount utilised from 4-Jun-20 up to 8-Jul-20 ⁽²⁾	Amount utilised from 9-Jul-20 up to the date of this Announcement	Balance of Net Proceeds at the date of this Announcement
	S\$'000	S\$'000	S\$'000	S\$'000
Investment in BOOT projects and M&A	1,600	(300)	-	1,300
Expansion of sales and distribution of systems and equipment business	800	(500)	-	300
General working capital	2,917	(1,582) ⁽³⁾	(673) ⁽⁴⁾	662
Capital funding of existing BOOT project	500	(500)	-	-
Total	5,817	(2,882)	(673)	2,262

Notes:

⁽¹⁾ Please refer to the Company's announcement dated 3 June 2020 in respect of the reallocation of the use of Net Proceeds.

⁽²⁾ Please refer to the Company's announcements dated 3 June 2020 and 8 July 2020 on the update on the use of Net Proceeds.

⁽³⁾ Relates to the payment of the Group's suppliers.

⁽⁴⁾ Relates to partial satisfaction of the share capital of PT Memiontec Indonesia.

Save as disclosed above on the re-allocation, the use of the Net Proceeds is in accordance with the intended use as disclosed in the Offer Document. The Company will make periodic announcements as and when the balance of the re-allocated Net Proceeds are materially disbursed.

16. Confirmation by the board pursuant to Rule 705(5).

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial statements for the half year ended 30 June 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Tay Kiat Seng
Chief Executive Officer
13 August 2020