



BETTER SOLUTIONS TO WATER & WASTE

DARCO WATER TECHNOLOGIES LIMITED
Registration No. 200106732C
(Incorporated in Singapore)
AND SUBSIDIARIES

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

A. Condensed interim consolidated statement of profit or loss and other comprehensive income for the Half Year Ended 30 June 2024

	Note	Group Half year ended		Change %
		Unaudited 30-Jun-24 \$'000	Unaudited 30-Jun-23 \$'000	
Revenue	4	27,555	38,712	(28.8)
Cost of sales		(22,449)	(32,766)	(31.5)
Gross Profit		5,106	5,946	(14.1)
Other income	5	126	411	(69.3)
Distribution expenses		(195)	(627)	(68.9)
Administrative expenses		(4,190)	(4,780)	(12.3)
Finance costs	6	(573)	(434)	32.0
Profit before income tax	7	274	516	(46.9)
Income tax expense	9	(77)	(10)	670.0
Profit for the financial period, net of tax		197	506	(61.1)
Profit / (Loss) attributable to:				
Equity holders of the Company		515	48	972.9
Non-controlling interests		(318)	458	n.m
		197	506	(61.1)
Other comprehensive loss:				
<u>Items that may be reclassified to profit and loss subsequently</u>				
Currency translation differences arising from consolidation		(203)	(657)	(69.1)
Other comprehensive loss for the financial period		(203)	(657)	(69.1)
Total comprehensive loss for the financial period		(6)	(151)	(96.0)
Total comprehensive profit / (loss) attributable to:				
Equity holders of the Company		437	(607)	n.m
Non-controlling interests		(443)	456	n.m
		(6)	(151)	n.m
Earnings per share for profit for the period attributable to the owners of the Company during the year:				
Basic (SGD in cent)		0.55	0.05	
Diluted (SGD in cent)		0.55	0.05	

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 30 June 2024 and 30 June 2023.

Note: n.m - not meaningful

B. Condensed interim statements of financial position as at 30 June 2024

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2024	31/12/2023	30/06/2024	31/12/2023
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	4,840	5,036	20	24
Right-of-use assets		1,040	667	7	28
Intangible assets	11	14,942	15,295	-	-
Investment in subsidiaries		-	-	19,636	19,636
Deferred tax assets		836	836	-	-
Other receivables	12	-	1	-	-
		<u>21,658</u>	<u>21,835</u>	<u>19,663</u>	<u>19,688</u>
Current assets					
Inventories		1,837	2,407	-	-
Trade and other receivables	12	40,812	36,934	6,681	6,387
Income tax recoverable		842	217	-	-
Cash and bank balances		8,607	12,842	241	335
Total current assets		<u>52,098</u>	<u>52,400</u>	<u>6,922</u>	<u>6,722</u>
Total assets		<u>73,756</u>	<u>74,235</u>	<u>26,585</u>	<u>26,410</u>
LIABILITIES					
Current liabilities					
Trade and other payables	13	30,667	30,946	3,807	2,905
Borrowings	14	2,263	3,007	-	-
Lease liabilities		351	381	7	29
Other financial liabilities	15	3,430	3,399	-	-
Income tax payable		77	11	-	-
Total current liabilities		<u>36,788</u>	<u>37,744</u>	<u>3,814</u>	<u>2,934</u>
Non-current liabilities					
Borrowings	14	2,786	2,865	-	-
Other payable	13	3,861	3,691	-	-
Lease liabilities		717	325	-	-
Deferred tax liabilities		22	22	-	-
Total non-current liabilities		<u>7,386</u>	<u>6,903</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>44,174</u>	<u>44,647</u>	<u>3,814</u>	<u>2,934</u>
Net assets		<u>29,582</u>	<u>29,588</u>	<u>22,771</u>	<u>23,476</u>

B. Condensed interim statements of financial position as at 30 June 2024 (Cont'd)

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2024	31/12/2023	30/06/2024	31/12/2023
		\$'000	\$'000	\$'000	\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	76,766	76,766	76,766	76,766
Other reserves		(5,234)	(5,156)	-	-
Accumulated losses		(42,979)	(43,494)	(53,995)	(53,290)
		<u>28,553</u>	<u>28,116</u>	<u>22,771</u>	<u>23,476</u>
Non-controlling interests		1,029	1,472	-	-
Total equity		<u>29,582</u>	<u>29,588</u>	<u>22,771</u>	<u>23,476</u>

C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2024

Group	Attributable to equity holders of the Company				Non-controlling interests \$'000	Total \$'000
	Share capital \$'000	Other reserve \$'000	Accumulated losses \$'000	Total \$'000		
Balance as at 1.1.2024	76,766	(5,156)	(43,494)	28,116	1,472	29,588
Profit / (Loss) for financial period	-	-	515	515	(318)	197
Other comprehensive loss for the financial period, net of tax						
- Currency translation differences arising from consolidation	-	(78)	-	(78)	(125)	(203)
Total comprehensive income / (loss) for the financial period	-	(78)	515	437	(443)	(6)
Balance as at 30.06.2024	76,766	(5,234)	(42,979)	28,553	1,029	29,582

Group	Attributable to equity holders of the Company				Non-controlling interests \$'000	Total \$'000
	Share Capital \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000		
Balance as at 1.1.2023	76,766	(4,052)	(38,075)	34,639	2,359	36,998
Profit for the financial period	-	-	48	48	458	506
Other comprehensive loss for the financial period, net of tax						
- Currency translation differences arising from consolidation	-	(655)	-	(655)	(2)	(657)
Total comprehensive income / (loss) for the financial period	-	(655)	48	(607)	456	(151)
Balance as at 30.06.2023	76,766	(4,707)	(38,027)	34,032	2,815	36,847

**C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2024
 (Cont'd)**

Company	Share Capital \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1.1.2024	76,766	(53,290)	23,476
Total comprehensive loss for the financial period	-	(705)	(705)
Balance at 30.06.2024	76,766	(53,995)	22,771

Company	Share Capital \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1.1.2023	76,766	(50,520)	26,246
Total comprehensive loss for the financial period	-	(552)	(552)
Balance at 30.06.2023	76,766	(51,072)	25,694

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2024

	Group half year ended	
	Unaudited 30/06/2024 \$'000	Unaudited 30/06/2023 \$'000
Cash flows from operating activities		
Profit before income tax	274	516
Adjustments for:		
Amortisation of intangible assets	162	9
Depreciation of property, plant and equipment	241	204
Depreciation of right-of-use assets	226	93
Gain on disposal of property, plant and equipment	(9)	(1)
Finance costs	573	434
Interest income	(45)	(55)
Written back of other payables	-	(279)
Unrealised exchange differences	100	(235)
Operating profit before working capital changes	1,522	686
Change in working capital:		
Inventories	570	260
Trade and other receivables	(3,876)	(2,515)
Trade and other payables	(494)	(3,154)
Intangible assets – Service Concession Assets	(103)	(3,610)
(Placement)/Withdrawal of pledged fixed deposits and bank balances	(64)	88
Cash used in operations	(2,445)	(8,245)
Income taxes (paid)/refunded	(637)	135
Net cash used in operating activities	(3,082)	(8,110)

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2024 (Cont'd)

	Group half year ended	
	Unaudited	Unaudited
	30/06/2024	30/06/2023
	\$'000	\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(47)	(384)
Purchase of intangible assets	-	(13)
Proceeds from disposal of property, plant and equipment	10	1
Interest received	45	55
	<hr/>	<hr/>
Net cash generated from / (used in) investing activities	8	(341)
Cash flows from financing activities		
Proceeds from borrowings	1,315	2,508
Repayment of borrowings	(2,151)	(943)
Principal repayment of lease liabilities	(237)	(98)
Interest paid	(176)	(84)
	<hr/>	<hr/>
Net cash (used in) / generated from financing activities	(1,249)	1,383
Net decrease in cash and cash equivalents	(4,323)	(7,068)
Cash and cash equivalents at the beginning of financial period	10,901	16,978
Effect of exchange rate changes on cash and cash equivalents	(34)	(82)
	<hr/>	<hr/>
Cash and cash equivalents at the end of financial period	6,544	9,828
	<hr/>	<hr/>
Represented by:-		
Cash and bank balances as per statements of financial position	8,607	13,179
Less: Bank balances pledged	(264)	(737)
	<hr/>	<hr/>
	(264)	(737)
Less: Fixed deposits with tenure more than 3 months	(591)	(624)
Less: Bank overdraft	(1,208)	(1,990)
	<hr/>	<hr/>
Cash and cash equivalents as per consolidated statement of cash flows	6,544	9,828
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E. Notes to the condensed interim consolidated financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Darco Water Technologies Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). These condensed interim consolidated financial statements as at and for the six months ended 30 June 2024 comprise the Company and its subsidiaries (collectively the "Group"). The address of the Company's registered office and its principal place of business is located at 120, Lower Delta Road #04-03 Cendex Centre, Singapore 169208.

The principal activities of the Company are those of investment holding and acting as a corporate manager and adviser and administrative centre to support business of the Company's subsidiaries. The principal activities of the subsidiaries are as follows: -

- (a) designing, installing, setting up and maintaining of industrial waste water treatment plant, ultra-pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment equipment, spare parts and chemicals;
- (b) design and supply of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies;
- (c) trading in vacuum cleaning systems and provision of related services; and
- (d) solid waste disposal treatment and incineration; noise and vibration prevention engineering; soil pollution control engineering; environmental monitoring system

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar ("\$") which is the Company's functional currency, and all values are recorded to nearest thousand (\$'000) as indicated.

2.1. New and amended standards adopted by the Group

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") that are mandatory for financial years beginning on and after 1 January 2024, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the financial statements of the Group as at 1 January 2024.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

E. Notes to the condensed interim consolidated financial statements

2. Basis of preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.2.1. Critical judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following:

Revenue recognition on contract revenue

The Group has assessed its contracts in Engineering Projects ("Projects") as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

2.2.2. Critical accounting estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

(a) Contract revenue – measuring progress

The Group recognises revenue from contract revenue over time using input method. The progress is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs that will affect the measure of progress towards complete satisfaction of the performance obligations; and to estimate the variable consideration that is not constrained. In making these estimates, management relied on past experiences and the knowledge of the project managers.

The carrying amounts of contract assets and contract liabilities arising from contract revenue as at 30 June 2024 are approximately \$22,582,000 and \$8,073,000, respectively.

If the estimated total contract costs to complete of major contracts increase / decrease by 10% from management's estimates, the Group's revenue will decrease / increase by approximately \$1,501,000 (31 Dec 2023: \$1,667,000).

E. Notes to the condensed interim consolidated financial statements

2. Basis of preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

2.2.2. Critical accounting estimates and assumptions (Cont'd)

(b) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. Expected loss rate is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, geographical location, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

E. Notes to the condensed interim consolidated financial statements

3. Segment and revenue information

For management purposes, the Group has two operating and reportable segments – Engineering Projects (“Projects”), and Operation and Maintenance Services (“O&M Services”). The principal activities of the Group’s operating segments are summarised as follows:

- (i) Projects – Contract to design, fabricate, assemble, install and commission engineered water systems for industrial application; engineered vacuum solution and service concession revenue;
- (ii) O&M Services – Services and maintains water and wastewater treatment plants, water supply as well as trades and supplies of goods comprising chemicals, electrical controls and related instruments used in water treatment systems.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the Chief Executive Officer (“CEO”), the chief operating decision maker, based on gross profit or loss of the respective segment. Segment assets and liabilities reported to the CEO represent total assets and liabilities of the reportable segment excluding the corporate functions and any unallocated amount recorded in subsidiaries with multiple segment businesses and subsidiaries that have yet to commence operations.

Seasonality of operations

The Group’s business is not affected significantly by seasonal or cyclical factors during the financial period.

Business segments

The information for the reportable segments for the financial period ended 30 June 2024 and 2023 is as follows:

30 June 2024	Projects	O&M Services	Total
	\$’000	\$’000	\$’000
Revenue			
Sales to external customers	21,294	6,261	27,555
Segment profit	4,425	681	5,106
Other information:			
Additions to property, plant and equipment	(7)	(37)	(44)
Additions to right-of-use assets	(348)	(239)	(587)
Additions to intangible assets	(103)	-	(103)
Depreciation of property, plant and equipment	(91)	(141)	(232)
Depreciation of right-of-use assets	(95)	(109)	(204)
Amortisation of intangible assets	(162)	-	(162)
Legal and other professional fees	(50)	(21)	(71)
Interest income	12	13	25
Finance costs	(145)	(29)	(174)

3. Segment and revenue information (cont'd)

Business segments (Cont'd)

30 June 2023	Projects	O&M Services	Total
	\$'000	\$'000	\$'000
Revenue			
Sales to external customers	33,014	5,698	38,712
Segment profit	5,040	906	5,946
Other information:			
Additions to property, plant and equipment	(310)	-	(310)
Additions to intangible assets	(3,623)	-	(3,623)
Depreciation of property, plant and equipment	(136)	(2)	(138)
Depreciation of right-of-use assets		(10)	(10)
Amortisation of intangible assets	(9)	-	(9)
Legal and other professional fees	(41)	(18)	(59)
Interest income	44	11	55
Finance costs	(52)	(28)	(80)
Written back of other payables	-	(279)	(279)

Reconciliation

(i) Segment profits

The following items are added to / (deducted from) segment profit to arrive at "profit before income tax" as presented in the consolidated statement of profit or loss and other comprehensive income:

	30 June 2024	30 June 2023
	\$'000	\$'000
Segment profit from the reportable segments	5,106	5,946
Other income	126	411
Distribution expenses	(195)	(627)
Administrative expenses	(4,190)	(4,780)
Finance costs	(573)	(434)
Profit before income tax	274	516

3. Segment and revenue information (cont'd)

Reconciliation (Cont'd)

(ii) Other material information

	30 June 2024	30 June 2023
	\$'000	\$'000
<u>Additions to property, plant and equipment</u>		
Segment total	(44)	(310)
Unallocated:		
-Relates to general and corporate assets	(3)	(74)
	<u>(47)</u>	<u>(384)</u>
 <u>Additions to right-of-use assets</u>		
Segment total	(587)	-
Unallocated:		
-Relates to general and corporate assets	(19)	-
	<u>(606)</u>	<u>-</u>
 <u>Depreciation of property, plant and equipment</u>		
Segment total	(232)	(138)
Unallocated:		
- Relates to general and corporate assets	(9)	(66)
	<u>(241)</u>	<u>(204)</u>
 <u>Depreciation of right-of-use assets</u>		
Segment total	(204)	(10)
Unallocated:		
- Relates to general and corporate assets	(22)	(83)
	<u>(226)</u>	<u>(93)</u>
 <u>Legal and other professional fees</u>		
Segment total	(71)	(59)
Unallocated:		
- Arising from general and corporate activities	(150)	(166)
	<u>(221)</u>	<u>(225)</u>
 <u>Finance cost</u>		
Segment total	(174)	(80)
Unallocated:		
- Arising from general and corporate activities	(398)	(354)
	<u>(573)</u>	<u>(434)</u>

3. Segment and revenue information (cont'd)

Reconciliation (Cont'd)

(iii) Other material information (Cont'd)

	30 June 2024 \$'000	30 June 2023 \$'000
<u>Interest income</u>		
Segment total	25	55
Unallocated:		
- Arising from general and corporate activities	20	-
	45	55

4. Revenue

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services and geographical location based on location of customers.

	Group				Total \$'000
	Service concession revenue \$'000	Contract revenue \$'000	Rendering of services \$'000	Sale of goods \$'000	
30 June 2024					
Geographical markets					
PRC	-	8,622	-	-	8,622
Malaysia	-	6,143	2,111	3,691	11,945
Singapore	-	6,422	288	64	6,774
Vietnam	107	-	92	15	214
	107	21,187	2,491	3,770	27,555
Timing of revenue recognition					
At a point of time	-	-	1,667	3,770	5,437
Over time	107	21,187	824	-	22,118
	107	21,187	2,491	3,770	27,555

Darco Water Technologies Limited (Incorporated in Singapore)
(Company registration no: 200106732C)

4. Revenue (cont'd)

Disaggregation of revenue (cont'd)

	Group				Total
	Service concession revenue	Contract revenue	Rendering of services	Sale of goods	
	\$'000	\$'000	\$'000	\$'000	
30 June 2023					
Geographical markets					
PRC	-	16,120	-	-	16,120
Malaysia	-	8,609	1,864	3,261	13,734
Singapore	-	4,582	67	67	4,716
Vietnam	3,703	-	-	439	4,142
	<u>3,703</u>	<u>29,311</u>	<u>1,931</u>	<u>3,767</u>	<u>38,712</u>
Timing of revenue					
At a point of time	-	-	985	3,767	4,752
Over time	3,703	29,311	946	-	33,960
	<u>3,703</u>	<u>29,311</u>	<u>1,931</u>	<u>3,767</u>	<u>38,712</u>

5. Other income

	Group	
	30 June 2024	30 June 2023
	\$'000	\$'000
Gain on disposal of property, plant and equipment	9	1
Government grants	62	38
Interest income	45	55
Written back of other payables	-	279
Miscellaneous income	10	38
	<u>126</u>	<u>411</u>

6. Finance costs

	Group	
	30 June 2024	30 June 2023
	\$'000	\$'000
Interest expenses on:		
- other financial liabilities (amount owing to non-controlling interests)	319	281
- unwinding effect of discounting provisions on other payable	78	69
- borrowings	156	81
- lease liabilities	20	3
	<u>573</u>	<u>434</u>

7. Profit before income tax

This is determined after charging / (crediting) the following:

	Group	
	30 June 2024	30 June 2023
	\$'000	\$'000
Amortisation of intangible assets	162	9
Auditors' remuneration paid / payable to:		
- auditor of the Company	100	27
Direct material costs included in cost of sales	12,609	21,748
Sub-contractor costs	2,195	4,146
Depreciation of property, plant and equipment	241	204
Depreciation of right-of-use assets	226	93
Legal and other professional fees	221	225
Leases expenses not included in lease liabilities – short term leases	20	42
Personnel expenses	5,232	5,059
Research and development fees	8	411
Loss on foreign exchange, net	325	211

8. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

9. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

Major components of income tax expense for the financial period were:

	Group	
	30 June 2024	30 June 2023
	\$'000	\$'000
Current tax		
- Current period income tax expense	77	-
- Under provision in the previous financial years	-	10
	77	10

10. Property, plant and equipment

During the six months ended 30 June 2024, the Group acquired assets amounting to \$47,000 (30 June 2023: \$384,000).

11. Intangible assets

	Group	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Goodwill on acquisition	905	905
Service concession assets	14,006	14,356
Computer software and others	31	34
	14,942	15,295

12. Trade and other receivables

	Group	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Current:		
Trade receivables	15,439	18,582
Contract assets	22,582	14,885
Other receivables, deposits and prepayments	2,791	3,467
	40,812	36,934
Non-current:		
Other receivables	-	1
	40,812	36,935

13. Trade and other payables

	Group	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Current:		
Trade payables	19,017	16,839
Contract liabilities	8,073	9,449
Other payables and accruals	3,577	4,658
	<u>30,667</u>	<u>30,946</u>
Non-current:		
Other payable (i)	3,861	3,691
	<u>34,528</u>	<u>34,637</u>

- (i) Other payable refers to Viability Grant Fund (“VGF Grant”) which was approved in May 2021, provided by Private Infrastructure Development Group (an innovative infrastructure development and finance organisation funded by six governments and the International Finance Corporation) to finance construction and construction related activities in the Ba Lai Project. The VGF Grant of US\$2,700,000 is made available to the Company via a Shareholder Loan from its NCI, InfraCo VietAqua Pte Ltd (“InfraCo”) and has been fully drawn down as at 31 December 2023.

14. Borrowings

	Group	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Amount repayable in one year or less, or on demand		
- Secured	2,263	3,007
	2,263	3,007
Amount repayable after one year		
- Secured	2,786	2,865
	2,786	2,865
Total borrowings	<u>5,049</u>	<u>5,872</u>

Details of any collateral

As at 30 June 2024 and 31 December 2023, the secured borrowings are secured by corporate guarantees by the Company, pledged of assets and shares of a subsidiary, fixed deposits, freehold lands, freehold buildings and leasehold lands and building of the subsidiaries.

15. Other financial liabilities

	Group	
	30 June 2024	31 Dec 2023
	\$'000	\$'000
Current liabilities	3,430	3,399

On 30 November 2018, the Group has entered into a shareholder agreement (“SHA”) with InfraCo VietAqua Pte Ltd (“InfraCo”) to develop a portfolio of water projects in Vietnam. The subsidiary, Darco Infraco Vietnam Water Pte. Ltd. (“DIVW”) was incorporated in Singapore for this purpose with the Company owning 51% and InfraCo owning 49% shareholding interest. Total amount contributed by the Company and InfraCo in DIVW is \$3,848,000 and \$3,697,000 respectively. Pursuant to the SHA, there is a call option exercisable by the Company to acquire InfraCo’s 49% equity interest in DIVW and conversely a put option exercisable by InfraCo to sell its equity interest in DIVW to the Group. The liability was recognised at present value of redemption amount, and subsequently measured at amortised cost.

16. Share capital

	Group and Company			
	30 June 2024		31 December 2023	
	Number of		Number of	
	ordinary shares	\$'000	ordinary shares	\$'000
Issued and fully paid ordinary shares				
At beginning and end of the financial period/year	93,831,492	76,766	93,831,492	76,766

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

There were no outstanding convertibles and the Company did not hold any treasury shares as at 30 June 2024 and as at the end of the corresponding period of the immediately preceding financial year.

The Company’s subsidiaries do not hold any shares in the Company as at 30 June 2024 and 31 December 2023.

17. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2024 and 31 December 2023:

(i) Financial instruments by category

	Group		Company	
	30 June 2024 \$'000	31 December 2023 \$'000	30 June 2024 \$'000	31 December 2023 \$'000
Financial assets at amortised cost:				
- Trade receivables	15,439	18,582	-	-
- Other receivables	1,704	1,980	6,643	6,348
- Cash and bank balances	8,607	12,842	241	335
	25,750	33,404	6,884	6,683
Financial liabilities at amortised cost	35,790	34,859	3,757	2,874

18. Fair values of assets and liabilities

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date, there are no financial instruments in this category.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities reported on the reporting date are reasonable approximation of their fair values, due to:

- their short-term nature; or
- they are market interest rate instruments; or
- they are floating rate instruments that are repriced to market interest rate on or near the reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

At the reporting date, there are no financial instruments in this category.

Darco Water Technologies Limited (Incorporated in Singapore)
(Company registration no: 200106732C)

19. Dividends

No dividend has been declared/recommended for the current financial period in view that the Company would need to conserve cash for the working capital and investment purpose.

20. Net asset value

	Group		Company	
	Unaudited 30/06/2024 Cents	Audited 31/12/2023 Cents	Unaudited 30/06/2024 Cents	Audited 31/12/2023 Cents
Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial period/year.	31.53	31.53	24.27	25.02
Number of ordinary shares	93,831,492	93,831,492	93,831,492	93,831,492

21. Subsequent events

There are no known subsequent events which have led to adjustment to this set of interim financial statements.

Other information

1. Review

The condensed consolidated statement of financial position of Darco Water Technologies Limited and its subsidiaries as at 30 June 2024 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

(a) Consolidated statement of profit or loss and other comprehensive income

Revenue and Gross profit margin

	Group		
	Full Year Ended		
	Unaudited 30/06/2024 S\$'000	Unaudited 30/06/2023 S\$'000	Change %
Engineering Projects ("Projects")	21,294	33,014	(35.6)
Operation and Maintenance Services ("O&M Services")	6,261	5,698	9.9
	<u>27,555</u>	<u>38,712</u>	(25.7)

Revenue of the Group decreased from \$38.7 million in 1H2023 to \$27.6 million in 1H2024.

Revenue from the Projects segment decreased from \$33.0 million in 1H2023 to \$21.3 million in 1H2024. This was mainly due to the decrease in new projects secured in China and Malaysia amidst intense competition in these markets. In addition, the Group also recorded low concession revenue from its project in Vietnam.

Revenue from the O&M Services segment increased from S\$5.7 million in 1H2023 to S\$6.3 million in 1H2024 due to higher sales contributed by the Group's Malaysia subsidiaries. O&M Services comprise of services and maintains water and wastewater treatment plants, water supply as well as trades and supplies of goods comprising chemicals, electrical controls and related instruments used in water treatment systems.

The Group's overall gross profit decreased from \$5.9 million in 1H2023 to \$5.1 million in 1H2024. However, overall gross profit ("GP") margin improved from 15.3% in 1H2023 to 18.5% in 1H2024 due to improved cost control for the Projects segment.

Other income

Other than the one-off writeback of other payables recorded in 1H2023, there was no material changes in other income for 1H2024.

Operating expenses

The Group's distribution expenses, which was mainly attributed to our subsidiary in China, decreased from \$0.6 million in 1H2023 to \$0.2 million in 1H2024 mainly due to decrease in travelling costs during the current reporting period.

Administrative expenses comprising of staff salary, professional fees, R&D, depreciation, and other operating expenses decreased from \$4.8 million in 1H2023 to \$4.2 million in 1H2024 due to cost saving in administrative activities.

Finance costs

The increase in finance costs was mainly due to an increase in bank borrowings and interest on other financial liabilities (amount owing to non-controlling interests).

(b) *Statements of financial position*

Current assets

Trade and other receivables

Trade receivables decreased from \$18.6 million as at 31 December 2023 to \$15.4 million as at 30 June 2024 mainly due to the improvement in trade receivable collection in 1H2024. Contract assets increased mainly due to the higher unbilled work done for projects in China and Singapore. Other receivables decreased from \$3.5 million as at 31 December 2023 to \$2.8 million as at 30 June 2024 mainly due to decrease in advances to suppliers and sundry receivables.

Inventories

Inventories decreased from \$2.4 million as at 31 December 2023 to \$1.8 million as at 30 June 2024. It was mainly due to a decrease in stock in transit recorded in a subsidiary in FY2024 during the reporting period.

Income tax recoverable

The increase was due to addition in income tax recoverable from subsidiaries in Malaysia, China and Singapore.

Non-current assets

Property, plant and equipment

The decrease in property, plant and equipment was mainly due to depreciation and foreign exchange losses.

Right-of-use assets

The Group's right-of-use assets are derived mainly from office space, warehouse, motor vehicles, and staff hostel. The increase was mainly due to new leasehold property leases during the year.

Intangible assets

The Group's intangible asset increase was mainly attributable to increase in service concession assets. Service concession assets refer to the concession project in progress of the Vietnam subsidiary, Darco Ba Lai Water Supply Company Limited, to supply drinking water in Ben Tre Province of Vietnam for a concession period of 50 years commencing from July 2017 ("Ba Lai Project"). The decrease in service concession assets was mainly due to foreign exchange losses and amortisation.

Current liabilities

Trade and other payables

The increase in trade payables from \$16.8 million to \$19.0 million was mainly due to the proactive management of working capital in projects in Singapore, China, and Malaysia .

The decrease in contract liabilities from \$9.4 million to \$8.1 million was mainly due to lower advance billing raised for project in Malaysia subsidiaries.

Other payables and accruals

The decrease of other payables and accruals was mainly due to lower accrued operating expenses as at 30 June 2024.

Income tax payable

The increase in income tax payable is mainly due to provision of taxation in Malaysia subsidiary.

Borrowings

Total borrowings decreased from \$5.9 million as at 31 December 2023 to \$5.0 million as at 30 June 2024. The net decrease was mainly due to a repayment of borrowings in a subsidiary in Singapore.

Lease liabilities

Overall, the lease liabilities increased from \$0.7 million as at 31 December 2023 to \$1.1 million as at 30 June 2024 mainly due to new leasehold property leases during the year.

(c) Statement of cash flows

	As at 30 June 2024 (Unaudited) S\$'000	As at 30 June 2023 (Unaudited) S\$'000
Cash flows used in operating activities	(3,082)	(8,110)
Cash flows generated from / (used in) investing activities	8	(341)
Cash flows (used in) / generated from financing activities	(1,249)	1,383
Net decrease in cash and cash equivalents	(4,323)	(7,068)

The Group's cash position was \$8.6 million as at 30 June 2024, as compared to \$12.8 million as at 31 December 2023.

Cash used in operating activities in 1H2024 was \$3.1 million mainly due to working capital used in ongoing projects in Projects segment.

Cash generated from investing activities in 1H2024 was mainly consisted of the proceeds from disposal of property, plant and equipment and interest received, lower acquisition of property, plant and equipment and intangible assets compared to the prior year.

Cash used in financing activities in 1H2024 of \$1.2 million was mainly due to net repayments of borrowings.

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

Not applicable.

4. 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 operating period and the next 12 months

The World Bank, in its June 2024 "Global Economic Prospects" Report¹, projects that growth in the East Asia and Pacific region will slow from 5.1% in 2023 to 4.8% in 2024, mainly reflecting a deceleration of economic activity in China. In the region excluding China, growth is projected to increase to 4.6% in 2024, supported by a recovery in global trade.

However, risks stemming from worsening conflicts, heightened geopolitical tensions, trade tensions and persistently high interest rates and inflation pose a threat to the momentum of economic recovery. Amidst these challenges, the Group's water treatment and water supply solutions business will continue to face intense competition in the short term.

¹ World Bank 11 June 2024, [Global Economic Prospects Report](#)

The Group continues to seek new opportunities for its Pneumatic Waste Conveyance System (“PWCS”) as new public housing districts continue to be developed in Singapore. PWCS is an automated centralised waste collection system which brings sustainable living into public housing estates and provides a cleaner and greener environment for residents, as well as increases the efficiency of waste collection.

While the broader long-term outlook for the water and waste solutions industry is positive, the operating environment remains challenging. Nevertheless, the fundamentals of the Group’s business remain sound. The Group’s water and waste solutions are essential for economic growth, population growth and urbanisation. The Group continues to explore potential opportunities for long-term sustainable growth.

5. Interested person transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
N/A	N/A	N/A

No IPT general mandate has been obtained by the Group from the shareholders.

There were no interested person transactions of \$100,000 and above entered into in 1H2024.

6. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director of chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that no person is occupying any managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

8. Confirmation pursuant to Rule 705(5) of the Listing Manual of SGX-ST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial statements for the period ended 30 June 2024 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Zhang Zhenpeng
Executive Director and CEO
13 August 2024