



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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

A. Condensed interim consolidated statement of profit or loss and other comprehensive income for the Half Year Ended 30 June 2023

	Note	Group Half year ended		Change %
		Unaudited 30-Jun-23 \$'000	Unaudited 30-Jun-22 \$'000	
Revenue	4	38,712	30,950	25.1
Cost of sales		(32,766)	(26,446)	23.8
Gross Profit		5,946	4,504	32.0
Other income	5	411	201	104.5
Distribution expenses		(627)	(359)	74.6
Administrative expenses		(4,780)	(4,711)	1.4
Finance costs	6	(434)	(117)	270.9
Profit / (Loss) before income tax	7	516	(482)	n.m
Income tax (expense) / credit	9	(10)	2	n.m
Profit / (Loss) for the financial period, net of tax		506	(480)	n.m
Profit / (Loss) attributable to:				
Equity holders of the Company		48	(304)	n.m
Non-controlling interests		458	(176)	n.m
		506	(480)	n.m
Other comprehensive loss:				
<u>Items that may be reclassified to profit and loss subsequently</u>				
Currency translation differences arising from consolidation		(657)	(37)	n.m
Other comprehensive loss for the financial period		(657)	(37)	n.m
Total comprehensive loss for the financial period		(151)	(517)	(70.8)
Total comprehensive loss attributable to:				
Equity holders of the Company		(607)	(285)	113.0
Non-controlling interests		456	(232)	n.m
		(151)	(517)	(70.8)
Earnings per share for profit / (loss) for the period attributable to the owners of the Company during the year:				
Basic (SGD in cent)		0.05	(0.32)	
Diluted (SGD in cent)		0.05	(0.32)	

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 30 June 2023 and 30 June 2022.

Note: n.m - not meaningful

B. Condensed interim statements of financial position as at 30 June 2023

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2023	31/12/2022	30/06/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant equipment	10	4,968	4,994	21	18
Right-of-use assets		391	496	49	70
Intangible assets		15,525	11,797	-	-
Investment in subsidiaries		-	-	19,855	19,855
Deferred tax assets		837	868	-	-
Other receivables		579	578	578	573
		<u>22,300</u>	<u>18,733</u>	<u>20,503</u>	<u>20,516</u>
Current assets					
Inventories		3,177	3,544	-	-
Trade and other receivables		45,468	44,328	7,542	6,757
Income tax recoverable		209	537	-	-
Cash and bank balances		13,179	19,828	52	1,351
Total current assets		<u>62,033</u>	<u>68,237</u>	<u>7,594</u>	<u>8,108</u>
Total assets		<u>84,333</u>	<u>86,970</u>	<u>28,097</u>	<u>28,624</u>
LIABILITIES					
Current liabilities					
Trade and other payables		34,354	38,767	2,353	2,307
Borrowings	11	2,275	2,866	-	-
Lease liabilities		151	232	43	42
Other financial liabilities		3,488	3,460	-	-
Income tax payable		167	335	-	-
Total current liabilities		<u>40,435</u>	<u>45,660</u>	<u>2,396</u>	<u>2,349</u>
Non-current liabilities					
Borrowings	11	3,435	765	-	-
Other payable		3,448	3,355	-	-
Lease liabilities		149	173	7	29
Deferred tax liabilities		19	19	-	-
Total non-current liabilities		<u>7,051</u>	<u>4,312</u>	<u>7</u>	<u>29</u>
Total liabilities		<u>47,486</u>	<u>49,972</u>	<u>2,403</u>	<u>2,378</u>
Net assets		<u>36,847</u>	<u>36,998</u>	<u>25,694</u>	<u>26,246</u>

B. Condensed interim statements of financial position as at 30 June 2023 (Cont'd)

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2023	31/12/2022	30/06/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	12	76,766	76,766	76,766	76,766
Other reserves		(4,707)	(4,052)	-	-
Accumulated losses		(38,027)	(38,075)	(51,072)	(50,520)
		<u>34,032</u>	<u>34,639</u>	<u>25,694</u>	<u>26,246</u>
Non-controlling interests		2,815	2,359	-	-
Total equity		<u>36,847</u>	<u>36,998</u>	<u>25,694</u>	<u>26,246</u>

C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2023

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

Group	Attributable to equity holders of the Company					Total \$'000
	Share Capital \$'000	Other reserves \$'000	Accumulate losses \$'000	Total \$'000	Non- controlling interests \$'000	
Balance as at 1.1.2022	76,766	(3,073)	(38,888)	34,805	2,306	37,111
Loss for the financial period	-	-	(304)	(304)	(176)	(480)
Other comprehensive income / (loss) for the financial period, net of tax - Currency translation differences arising from consolidation	-	19	-	19	(56)	(37)
Total comprehensive income / (loss) for the financial period	-	19	(304)	(285)	(232)	(517)
Balance as at 30.06.2022	76,766	(3,054)	(39,192)	34,520	2,074	36,594

**C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2023
(Cont'd)**

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

Company	Share Capital \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1.1.2022	76,766	(49,843)	26,923
Total comprehensive loss for the financial period	-	(672)	(672)
Balance at 30.06.2022	76,766	(50,515)	26,251

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2023

	Group half year ended	
	Unaudited 30/06/2023 \$'000	Unaudited 30/06/2022 \$'000
Cash flows from operating activities		
Profit / (Loss) before income tax	516	(482)
Adjustments for:		
Amortisation of intangible assets	9	4
Depreciation of property, plant and equipment	204	257
Depreciation of right-of-use assets	93	41
Gain on disposal of property, plant and equipment	(1)	(2)
Finance costs	434	117
Interest income	(55)	(41)
Written back of other payables	(279)	-
Unrealised exchange differences	(235)	165
Operating profit before working capital changes	686	59
Change in working capital:		
Inventories	260	143
Contract assets / (liabilities)	1,468	(3,896)
Trade and other receivables	(3,386)	3,514
Trade and other payables	(3,751)	(6,105)
Intangible assets – Service Concession Assets	(3,610)	(725)
Withdrawal of pledged fixed deposits and bank balances	88	363
Cash used in operations	(8,245)	(6,647)
Income taxes refunded / (paid)	135	(162)
Net cash used in operating activities	(8,110)	(6,809)

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2023 (Cont'd)

	Group half year ended	
	Unaudited 30/06/2023 \$'000	Unaudited 30/06/2022 \$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(384)	(43)
Purchase of intangible assets	(13)	-
Proceeds from disposal of property, plant and equipment	1	13
Interest received	55	41
	<hr/>	<hr/>
Net cash (used in) / generated from investing activities	(341)	11
Cash flows from financing activities		
Proceeds from borrowings	2,508	490
Repayment of borrowings	(943)	(1,836)
Principal repayment of lease liabilities	(98)	(40)
Interest paid	(84)	(117)
	<hr/>	<hr/>
Net cash generated from / (used in) financing activities	1,383	(1,503)
Net decrease in cash and cash equivalents	(7,068)	(8,301)
Cash and cash equivalents at the beginning of financial period	16,978	18,710
Effect of exchange rate changes on cash and cash equivalents	(82)	(53)
	<hr/>	<hr/>
Cash and cash equivalents at the end of financial period	9,828	10,356
	<hr/>	<hr/>
Represented by:-		
Cash and bank balances as per statements of financial position	13,179	15,022
Less: Fixed deposits pledged	-	(1,674)
Less: Bank balances pledged	(737)	(1,110)
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	(737)	(2,784)
Less: Fixed deposits with tenure more than 3 months	(624)	(504)
Less: Bank overdraft	(1,990)	(1,378)
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Cash and cash equivalents as per consolidated statement of cash flows	9,828	10,356
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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 2023 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 2023 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 2022.

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 2023, 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 2023.

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 2022.

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 Engineered Environmental System ("EE systems") 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 contracted. In making these estimates, management relied on past experiences and the knowledge of the project engineers.

The carrying amounts of contract assets and contract liabilities arising from contract revenue as at 30 June 2023 are approximately \$15,237,000 and \$15,354,000, 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 \$1,844,000 (31 Dec 2022: \$1,147,000).

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.

(d) Income tax

Current tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. In determining the income tax liabilities of a routine tax assessment year, management estimated the amount of capital allowance and the deductibility of certain expenses at each tax jurisdiction. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax recoverable and payable as at 30 June 2023 amounted to approximately \$209,000 and \$167,000 (31 Dec 2022: \$537,000 and \$335,000) respectively.

Deferred tax - recognised

Changes in income tax laws and rates may affect recorded deferred tax assets and liabilities in the future. As at 31 December 2022, a subsidiary in The People's Republic of China which enjoys a concessionary tax rate of 15% (2022: 15%), had recognised deferred tax assets of approximately \$837,000 (31 Dec 2022: \$ 868,000) on the basis that the concessionary tax rate will still be available at the timing of reversal of the temporary differences.

E. Notes to the condensed interim consolidated financial statements

3. Segment and revenue information

For management purposes, the Group has three operating and reportable segments – Engineered Environmental Systems (“EE Systems”), Water Management Services (“WM Services”) and Trading. The principal activities of the Group’s operating segments are summarised as follows:

- (i) EE Systems – Contract to designs, fabricates, assembles, installs and commission engineered water systems for industrial application, and engineered vacuum solution;
- (ii) WM Services – Services and maintains water and wastewater treatment plants; and
- (iii) Trading – 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 (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 2023 and 2022 is as follows:

30 June 2023	EE				Total
	Systems	WM Services	Trading	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	33,014	1,931	3,767	-	38,712
Inter-segment sales	-	-	-	-	-
Total	33,014	1,931	3,767	-	38,712
Segment profit	5,040	(235)	1,141	-	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)	(5)	(13)	-	(59)
Interest income	44	4	7	-	55
Finance costs	(52)	(10)	(18)	-	(80)
Written back of other payables	-	(279)	-	-	(279)

3. Segment and revenue information (cont'd)

Business segments (Cont'd)

30 June 2022	EE Systems	WM Services	Trading	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	23,512	2,574	4,864	-	30,950
Inter-segment sales	-	-	32	(32)	-
Total	23,512	2,574	4,896	(32)	30,950
Segment profit	3,606	(250)	1,148	-	4,504
Other information:					
Additions to property, plant and equipment	(24)	(4)	(15)	-	(43)
Additions to intangible assets	(725)	-	-	-	(725)
Amortisation of intangible assets	(4)	-	-	-	(4)
Depreciation of property, plant and equipment	(162)	(21)	(74)	-	(257)
Depreciation of right-of-use assets	(14)	(8)	(19)	-	(41)
Legal and other professional fees	(18)	(6)	(24)	-	(48)
Interest income	26	3	12	-	41
Finance costs	(96)	(4)	(17)	-	(117)
Gain on disposal of property, plant and equipment	2	-	-	-	2

Reconciliation

(i) Segment profits

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

	30 June 2023	30 June 2022
	\$'000	\$'000
Segment profit from the reportable segments	5,946	4,504
Other income	411	201
Distribution expenses	(627)	(359)
Administrative expenses	(4,780)	(4,711)
Finance costs	(434)	(117)
Profit / (Loss) before income tax	516	(482)

3. Segment and revenue information (cont'd)

Reconciliation (Con'td)

(ii) Other material information

	30 June 2023	30 June 2022
	\$'000	\$'000
<u>Additions to property, plant and equipment</u>		
Segment total	(310)	(43)
Unallocated:		
- Relates to general and corporate assets	(74)	-
	<u>(384)</u>	<u>(43)</u>
<u>Depreciation of property, plant and equipment</u>		
Segment total	(138)	(257)
Unallocated:		
- Relates to general and corporate assets	(66)	-
	<u>(204)</u>	<u>(257)</u>
<u>Depreciation of right-of-use assets</u>		
Segment total	(10)	(41)
Unallocated:		
- Relates to general and corporate assets	(83)	-
	<u>(93)</u>	<u>(41)</u>
<u>Legal and other professional fees</u>		
Segment total	(59)	(48)
Unallocated:		
- Arising from general and corporate activities	(166)	(327)
	<u>(225)</u>	<u>(375)</u>
<u>Finance cost</u>		
Segment total	(80)	(117)
Unallocated:		
- Arising from general and corporate used bank balances	(354)	-
	<u>(434)</u>	<u>(117)</u>

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

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				
	Service concession revenue	Contract revenue	Rendering of services	Sale of goods	Total
	\$'000	\$'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
	3,703	29,311	1,931	3,767	38,712
Timing of revenue recognition					
At a point of time	-	-	985	3,767	4,752
Over time	3,703	29,311	946	-	33,960
	3,703	29,311	1,931	3,767	38,712
30 June 2022					
Geographical markets					
PRC	-	13,114	-	-	13,114
Malaysia	-	6,151	2,414	4,751	13,316
Singapore	-	3,507	118	89	3,714
Vietnam	740	-	42	24	806
	740	22,772	2,574	4,864	30,950
Timing of revenue recognition					
At a point of time	-	-	-	4,864	4,864
Over time	740	22,772	2,574	-	26,086
	740	22,772	2,574	4,864	30,950

5. Other income

	Group	
	30 June 2023	30 June 2022
	\$'000	\$'000
Gain on disposal of property, plant and equipment	1	2
Gain on foreign exchange, net	-	28
Government grants	38	87
Interest income	55	41
Written back of other payables	279	-
Miscellaneous income	38	43
	<u>411</u>	<u>201</u>

6. Finance costs

	Group	
	30 June 2023	30 June 2022
	\$'000	\$'000
Interest expenses on:		
- other financial liabilities (amount owing to non-controlling interests)	281	-
- unwinding effect of discounting provisions on other payable	69	-
- borrowings	81	92
- lease liabilities	3	16
- others	-	9
	<u>434</u>	<u>117</u>

7. Profit / (Loss) before income tax

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

	Group	
	30 June 2023	30 June 2022
	\$'000	\$'000
Amortisation of intangible assets	9	4
Auditors' remuneration paid / payable to:		
- auditor of the Company	27	126
Direct material costs included in cost of sales	21,748	12,562
Sub-contractor costs	4,146	1,764
Depreciation of property, plant and equipment	204	257
Depreciation of right-of-use assets	93	41
Legal and other professional fees	225	375
Leases expenses not included in lease liabilities – short term leases	42	30
Personnel expenses	5,059	4,703
Gain on disposal of property, plant and equipment	(1)	(2)
Research and development fees	411	422
Loss on foreign exchange, net	211	-
Written back of other payables	(279)	-
	<u>(279)</u>	<u>-</u>

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 / (credit) for the financial period were:

	Group	
	30 June 2023	30 June 2022
	\$'000	\$'000
Current tax		
- Current period income tax credit	-	(2)
- Under provision in the previous financial years	10	-
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10. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to \$384,000 (30 June 2022: \$43,000).

11. Borrowings

	Group	
	30 June 2023	31 Dec 2022
	\$'000	\$'000
Amount repayable in one year or less, or on demand		
- Secured	2,275	2,866
	2,275	2,866
Amount repayable after one year		
- Secured	3,435	765
	3,435	765
Total borrowings	<hr/> 5,710	<hr/> 3,631

Details of any collateral

As at 30 June 2023 and 31 December 2022, the secured borrowings are secured by the Group's freehold lands, freehold buildings, leasehold lands, leasehold buildings. The Company has also given corporate guarantee for the borrowings.

12. Share capital

	Group and Company			
	30 June 2023		31 December 2022	
	Number of ordinary shares	\$'000	Number of 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 2023 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 2023 and 31 December 2022.

13. 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 2023 and 31 December 2022:

(i) Financial instruments by category

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost:				
- Trade receivables	22,663	20,575	-	-
- Other receivables	3,526	3,212	8,119	7,299
- Contract assets	15,237	16,528	-	-
- Cash and bank balances	13,179	19,828	52	1,351
	54,605	60,143	8,171	8,650
Financial liabilities at amortised cost	47,154	33,535	2,353	2,357

14. 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.

15. 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.

16. Net asset value

	Group		Company	
	Unaudited 30/06/2023	Audited 31/12/2022	Unaudited 30/06/2023	Audited 31/12/2022
	Cents	Cents	Cents	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.	39.27	39.43	27.38	27.97
Number of ordinary shares	93,831,492	93,831,492	93,831,492	93,831,492

17. Subsequent events

There are no known subsequent events which have led to adjustments 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 2023 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		Change
	Full Year Ended		
	Unaudited 30/06/2023 S\$'000	Unaudited 30/06/2022 S\$'000	
Engineered Environmental Systems ("EE Systems")	33,014	23,512	40.4
Water Management Services ("WM Services")	1,931	2,574	(25.0)
Trading	3,767	4,864	(22.5)
	38,712	30,950	25.1

Revenue of the Group increased from \$30.9 million in 1H2022 to \$38.7 million in 1H2023.

Revenue from the EE Systems segment increased from \$23.5 million in 1H2022 to \$33.0 million in 1H2023. This was mainly due to higher contribution from the EPC projects in China and Malaysia subsidiaries, as well as contribution from the service concession revenue in Vietnam.

Revenue from the WM Services segment decreased from \$2.6 million in 1H2022 to \$1.9 million in 1H2023 mainly due to strong competition faced by subsidiaries in Malaysia.

Sales from trading of chemicals, spare parts, and other consumables decreased from \$4.9 million in 1H2022 to \$3.8 million in 1H2023 mainly due to lower sale of consumables from Malaysia entities compared to 1H2022.

The Group's overall gross profit increased from \$4.5 million in 1H2022 to \$5.9 million in 1H2023 and overall gross profit ("GP") margin has increased from 14.6% in 1H2022 to 15.4% in 1H2023 as activity picked up with the easing of covid movement control measures.

Other income

The increase in other income was mainly due to the write-back of other payables.

Operating expenses

The Group's distribution expenses, which was mainly attributed to our subsidiary in China, increased from \$0.4 million in 1H2022 to \$0.6 million in 1H2023 mainly due to increase in business activities during the current reporting period as travel restrictions have been progressively lifted in the first half of 2023.

Finance costs

The increase in finance costs was mainly due to the increase in interest expenses on other financial liabilities (amount owing to non-controlling interests) where there was an interest suspension on other financial liabilities in prior year.

Income tax expense

The increase in tax provision was mainly due to underprovision of tax in prior year.

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(b) *Statements of financial position*

Current assets

The Group's current assets comprise the following items:-

	As at 30 June 2023 (Unaudited) \$'000	As at 31 December 2022 (Audited) \$'000
Trade receivables and contract assets		
- Trade receivables	22,663	20,575
- Contract assets	15,237	16,528
	<hr/> 37,900	<hr/> 37,103
Other receivables, deposits and prepayments	7,568	7,225
Trade and other receivables	45,468	44,328
Inventories	3,177	3,544
Income tax recoverable	209	537
Cash and bank balances	13,179	19,828
Total	<hr/> 62,033 <hr/>	<hr/> 68,237 <hr/>

Trade and other receivables

Trade receivables increased from \$20.6 million as at 31 December 2022 to \$22.7 million as at 30 June 2023 mainly due to higher outstanding billing in a subsidiary in Malaysia as business activity picked up. Contract assets decreased mainly due to the lower unbilled work done for projects in Malaysia and Singapore. Other receivables comprise of deposits, advance payments to suppliers and VAT receivables.

Inventories

Inventories decreased from \$3.5 million as at 31 December 2022 to \$3.2 million as at 30 June 2023. It was mainly due to stock in transit recorded in a subsidiary in China in FY2022.

Income tax recoverable

The decrease was mainly due to tax refund received in certain subsidiaries in Malaysia.

Non-current assets

Property, plant and equipment

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

Right-of-use assets

The Group's right-of-use assets are derived mainly from leasehold lands, leasehold properties, plant and equipment and motor vehicles. The decrease was mainly due to depreciation expenses incurred during the year.

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Intangible assets

The Group's intangible asset increase was mainly attributable to increase in service concession assets. Detailed breakdown as below: -

	As at 30 June 2023 (Unaudited) S\$'000	As at 31 December 2022 (Audited) S\$'000
Intangible assets		
- Goodwill on acquisition	905	905
- Service concession assets	14,584	10,863
- Computer software and others	36	29
	15,525	11,797

Service concession assets refers to the concession project in the Vietnam subsidiary, Darco Ba Lai Water Supply 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 increase in service concession assets was mainly due to construction work carried out during the reporting period. The Ba Lai project has commenced operation in June 2023.

Current liabilities

Trade and other payables

The Group's trade and other payables comprise of the following: -

	As at 30 June 2023 (Unaudited) \$'000	As at 31 December 2022 (Audited) \$'000
Trade payables	16,007	19,972
Contract liabilities	15,354	15,265
Other payables and accruals	2,993	3,530
Total	34,354	38,767

The decrease in trade payables from \$20.0 million to \$16.0 million was mainly due to differences in the timing of payment made during the period.

There was no significant fluctuation in contract liabilities.

Other payables and accruals

The decrease in other payables and accruals was mainly due to write-back of payables.

Income tax payable

The decrease in income tax payable was mainly due to payment of income tax.

Borrowings

Total borrowings increased from \$3.6 million as at 31 December 2022 to \$5.7 million as at 30 June 2023. The net increase was mainly due to an increase in borrowings in a subsidiary in Vietnam amounting to \$2.3 million offset by repayments during the reporting period.

Lease liabilities

Overall, the lease liabilities decreased from \$0.4 million as at 31 December 2022 to \$0.3 million as at 30 June 2023 mainly due to lease payments.

(c) Statement of cash flows

	Half year ended 30 June 2023 (Unaudited) S\$'000	Half year ended 30 June 2022 (Unaudited) S\$'000
Cash flows used in operating activities	(8,110)	(6,809)
Cash flows (used in) / generated from investing activities	(341)	11
Cash flows generated from / (used in) financing activities	1,383	(1,503)
Net (decrease) / increase in cash and cash equivalents	(7,068)	(8,301)

The Group's cash position was \$13.2 million as at 30 June 2023, as compared to \$19.8 million as at 31 December 2022.

Net cash used in operating activities in 1H2023 was \$8.1 million mainly due to working capital used in ongoing projects in EE systems segment as well as cash outflow of \$3.6 million used in Ba Lai Project in Vietnam.

Cash used in investing activities in 1H2023 was \$0.3 million mainly due to acquisition of property, plant and equipment and intangible assets.

Cash generated from financing activities in 1H2023 of \$1.4 million was mainly due to net proceeds from borrowings.

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

The financial results are in line with the outlook commentary made in FY2022 results announcement.

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 Group recorded a 25% increase in revenue from \$30.95 million in 1H2022 to \$38.71 million in 1H2023. Gross profit saw a 32% increase from \$4.5 million to \$5.9 million for the same period. However, the business environment is still fragile due to global economic uncertainties ranging from geopolitical tensions, and trade protectionism trends, to the lingering effects of post-Covid19 supply chain disruptions, global inflationary pressures, and central banks' hiking of interest rates. Additionally, the PRC's post-Covid19 economy has not picked up as significantly as was expected and competition in the water industry has intensified.

Nevertheless, the fundamentals of the Group's business remain sound. The treatment of wastewater, the supply of potable water and the industrial applications for water are a function of economic growth, population growth and urbanisation. The long-term economic outlook for Asia-Pacific economies, (which include the Group's current major markets of Malaysia and PRC) remains positive due to favourable demographics, rapid urbanisation, and domestic consumer demand.

In Vietnam, the Group's Ba Lai water treatment and supply project has commenced operations. The 50-year lease Design, Build, Own & Operate ("DBOO") project represents the Group's maiden presence in the Vietnam market and showcases its technical capabilities for water treatment and clean piped water supply.

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 1H2023.

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 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Zhang Zhenpeng
Executive Director and CEO

Zhao Yong Chang
Executive Director

BY ORDER OF THE BOARD

Zhang Zhenpeng
Executive Director and CEO
10 August 2023