

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

**Unaudited Financial Statements For the Half Year Ended 30 June 2019**

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

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

	<b>Group</b>		<b>Change %</b>
	<b>Unaudited 30/6/2019 (\$'000)</b>	<b>Unaudited 30/6/2018 (\$'000)</b>	
<b>Revenue</b>	<b>30,341</b>	<b>28,274</b>	7.3
Cost of sales	(25,028)	(22,464)	11.4
<b>Gross profit</b>	<b>5,313</b>	<b>5,810</b>	-8.6
Other income	216	383	-43.6
Marketing and distribution expenses	(864)	(1,220)	-29.2
Administrative expenses	(4,662)	(4,524)	3.1
Finance expenses	(284)	(266)	6.8
<b>(Loss)/profit before income tax</b>	<b>(281)</b>	<b>183</b>	-253.6
Income tax expense	(16)	(66)	-75.8
<b>(Loss)/profit for the period</b>	<b>(297)</b>	<b>117</b>	-353.8
<b>(Loss)/Profit attributable to:</b>			
Equity holders of the Company	(321)	140	-329.3
Non-controlling interests	24	(23)	-204.3
<b>(Loss)/profit for the period</b>	<b>(297)</b>	<b>117</b>	

**Note:**

n.m- not meaningful

**1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR HALF YEAR ENDED 30 JUNE 2018.**

	<b>Group</b>		
	<b>Half Year Ended</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	<b>change</b>
	<b>30/6/2019</b>	<b>30/6/2018</b>	<b>%</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	
<b>(Loss)/profit for the period</b>	(297)	117	-353.8
<b>Other comprehensive (loss)/profit:</b>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Currency translation differences arising from consolidation	(134)	102	-231.4
<b>Other comprehensive (loss)/profit for the period</b>	(134)	102	-231.4
<b>Total comprehensive (loss)/income for the period</b>	(431)	219	-296.8
<b>(Loss)/Profit attributable to:</b>			
Equity holders of the Company	(321)	140	-329.3
Non-controlling interests	24	(23)	-204.3
<b>(Loss)/profit for the period</b>	(297)	117	-353.8
<b>Total comprehensive (loss)/profit attributable to:</b>			
Equity holders of the Company	(455)	218	-308.7
Non-controlling interests	24	1	2300.0
<b>Total comprehensive (loss)/income for the period</b>	(431)	219	-296.8

**Note:**

n.m- not meaningful

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1(a)(iii) Profit before income tax is arrived after (charging)/crediting the followings:

Included in other income are:	Group Half Year Ended Unaudited		change %
	30/6/2019 (\$'000)	30/6/2018 (\$'000)	
Write back for doubtful trade receivable	-	82	-100.0
Debts no longer payables	-	131	-100.0
Interest income	67	3	2133.3
Government grant	76	77	-1.3
Gain on disposal of property, plant and Equipment	8	-	n.m
Gain on foreign exchange	44	79	-44.3
Miscellaneous income	21	11	90.9
	<u>216</u>	<u>383</u>	<u>-43.6</u>

Finance expenses:	Group Half Year Ended Unaudited		Change %
	30/6/2019 (\$'000)	30/6/2018 (\$'000)	
Interest expense on:-			
Borrowings	(273)	(256)	6.6
Finance lease	(11)	(10)	10.0
	<u>(284)</u>	<u>(266)</u>	<u>6.8</u>

Included in the profit before income tax are:	Group Half Year Ended Unaudited		change %
	30/6/2019 (\$'000)	30/6/2018 (\$'000)	
Employee compensation	(4,965)	(4,922)	0.9
Amortisation of intangible assets	(151)	(188)	-19.7
Depreciation of property, plant and equipment	(317)	(335)	-22.1
Operating leases	(172)	(150)	14.7

**Note:**

n.m- not meaningful

**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 years.**

	Group		Company	
	Unaudited 30/6/2019 \$'000	Audited 31/12/2018 \$'000	Unaudited 30/6/2019 \$'000	Audited 31/12/2018 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	7,075	5,176	-	-
Intangible assets	5,515	5,666	-	-
Investment in subsidiaries	-	-	16,645	14,645
Deferred tax assets	172	114	-	-
Other receivable	601	613	-	-
<b>Total non-current assets</b>	<b>13,363</b>	<b>11,569</b>	<b>16,645</b>	<b>14,645</b>
<b>Current assets</b>				
Inventories	3,547	2,997	-	-
Trade and other receivables	62,976	68,971	18,512	15,060
Income tax recoverable	442	365	-	-
Cash and cash equivalents	21,946	27,925	7,440	13,577
<b>Total current assets</b>	<b>88,911</b>	<b>100,258</b>	<b>25,952</b>	<b>28,637</b>
<b>Total assets</b>	<b>102,274</b>	<b>111,827</b>	<b>42,597</b>	<b>43,282</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	38,589	47,443	1,746	1,985
Borrowings	7,354	8,284	4,000	4,000
Income tax payable	125	450	-	-
<b>Total current liabilities</b>	<b>46,068</b>	<b>56,177</b>	<b>5,746</b>	<b>5,985</b>
<b>Non-current liabilities</b>				
Other payables	-	-	-	-
Borrowings	1,839	917	-	-
Deferred tax liabilities	646	581	-	-
<b>Total non-current liabilities</b>	<b>2,485</b>	<b>1,498</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>48,553</b>	<b>57,675</b>	<b>5,746</b>	<b>5,985</b>
<b>Net assets</b>	<b>53,721</b>	<b>54,152</b>	<b>36,851</b>	<b>37,297</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	76,766	76,766	76,766	76,766
Other reserves	(3,386)	(3,261)	-	-
Accumulated losses	(24,988)	(24,658)	(39,915)	(39,469)
	48,392	48,847	36,851	37,297
Non-controlling interests	5,329	5,305	-	-
<b>Total equity</b>	<b>53,721</b>	<b>54,152</b>	<b>36,851</b>	<b>37,297</b>

**1(b)(ii) Aggregate amount of group’s borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

<b>As at 30 June 2019</b>		<b>As at 31 Dec 2018</b>	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
2,801	4,553 <sup>(1)</sup>	3,738	4,546

**Amount repayable after one year**

<b>As at 30 June 2019</b>		<b>As at 31 Dec 2018</b>	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
1,839	-	917	-

**Details of any collateral**

As at 30 June 2019 and 31 December 2018, all borrowings are secured by corporate guarantees and freehold land and properties of subsidiaries.

**Note 1**

Includes a loan from an individual, Mr. Wang Zhi, amounting to \$4,000,000 ( “the Loan” ), which was granted as part of the conditions precedent to the placement of 27,680,000 new shares by the Company to Mr. Wang ( “WZ Placement” ), which has been completed on 23 March 2018 and Mr. Wang has been appointed as Non-Executive Director of the Company on 3 April 2018. The Loan was drawdown on December 2017 and is for working capital of WHKD.

This transaction has not been classified as Interested Person Transactions (“IPT”) on page 17, as the Company entered into this loan transaction in December 2017, when Mr Wang Zhi was an independent individual at the point of time.

**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.**

	Group Half Year Ended	
	Unaudited 30/6/2019 (\$'000)	Unaudited 30/6/2018 (\$'000)
<b>(Loss)/profit before income tax</b>	<b>(281)</b>	<b>183</b>
Adjustments for:-		
Amortisation of intangible assets	151	188
Depreciation of property, plant and equipment	317	335
Write back of doubtful trade receivable	-	(82)
Debts no longer payables	-	(131)
Gain on disposal of property, plant and equipment	(8)	-
Unrealised (gain)/loss in foreign exchange	(41)	(74)
Interest expense	284	266
Interest income	(67)	(3)
<b>Operating cashflow before working capital</b>	<b>355</b>	<b>682</b>
<b>Changes in working capital</b>		
Inventories	(550)	210
Construction work-in-progress	13,620	(2,584)
Trade and other receivables	(6,059)	(3,792)
Trade and other payables	(10,520)	(2,059)
Fixed deposits and bank balances pledged	826	(183)
Cash used in operations	(2,328)	(7,726)
Income tax paid	(411)	(266)
<b>Net cash used in operating activities</b>	<b>(2,739)</b>	<b>(7,992)</b>
<b>Cash flows from investing activities</b>		
Additions of property, plant and equipment	A (1,248)	(255)
Interest received	67	3
Proceeds from disposal of property, plant and Equipment	8	-
<b>Net cash used in investing activities</b>	<b>(1,173)</b>	<b>(252)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowing	933	2,730
Repayment of borrowings	(2,385)	(2,875)
Share issuance costs	-	(320)
Net proceeds from issuance of shares	-	16,148
Interest paid	(184)	(266)
Repayment of finance lease liabilities	(21)	(19)
<b>Net cash (used in)/from financing activities</b>	<b>(1,657)</b>	<b>15,398</b>
Net (decrease)/increase in cash and cash equivalents	(5,569)	7,154
Cash and cash equivalents at beginning of the year	22,673	15,379
Effect of currency translation differences	(43)	130
<b>Cash and cash equivalents at end of period</b>	<b>17,061</b>	<b>22,663</b>

	Half Year Ended	
	Unaudited 30/6/2019 \$'000	Unaudited 30/6/2018 \$'000
Bank and cash balances	21,946	26,423
Short-term bank deposits pledged	(2,788)	(1,788)
Bank overdraft	(2,097)	(1,972)
	<b>17,061</b>	<b>22,663</b>

**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. (Cont'd)**

**Note A**

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial period comprised of:

	<b>Half Year Ended Unaudited 30/6/2019</b>
	\$'000
Property, plant and equipment purchased	2,256
Less:	
Term Loan	(1,008)
	<u>1,248</u>

**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.**

<b>Group</b>	<b>Attributable to equity holders of the Group</b>				<b>Non-controlling interests (\$'000)</b>	<b>Total Equity (\$'000)</b>
	<b>Share Capital (\$'000)</b>	<b>Accumulated losses (\$'000)</b>	<b>Other Reserves (\$'000)</b>	<b>Total (\$'000)</b>		
<b>Balance at 1 Jan 2019</b>	76,766	(24,658)	(3,261)	48,847	5,305	54,152
(Loss)/profit for the period	-	(321)	-	(321)	24	(297)
Other comprehensive (loss)/income, net of tax:						
- Currency translation difference	-	-	(134)	(134)	-	(134)
Total comprehensive (loss)/income for the period	-	(321)	(134)	(455)	24	(431)
Transfer to statutory reserve	-	(9)	9	-	-	-
<b>Balance at 30 Jun 2019</b>	<u>76,766</u>	<u>(24,988)</u>	<u>(3,386)</u>	<u>48,392</u>	<u>5,329</u>	<u>53,721</u>

<b>Group</b>	<b>Attributable to equity holders of the Group</b>				<b>Non-controlling interests (\$'000)</b>	<b>Total Equity (\$'000)</b>
	<b>Share Capital (\$'000)</b>	<b>Accumulated losses (\$'000)</b>	<b>Other Reserves (\$'000)</b>	<b>Total (\$'000)</b>		
<b>Balance at 1 Jan 2018</b>	54,274	(22,662)	(3,312)	28,300	8,189	36,489
Issuance of shares	23,229	-	-	23,229	-	23,229
Acquisition of non controlling interest in a subsidiary	-	(187)	-	(187)	(2,370)	(2,557)
Profit for the period	-	140	-	140	(23)	117
Other comprehensive income, net of tax:						
- Currency translation difference	-	-	78	78	24	102
Total comprehensive income for the period	-	140	78	218	1	219
<b>Balance at 30 Jun 2018</b>	<u>77,503</u>	<u>(22,709)</u>	<u>(3,234)</u>	<u>51,560</u>	<u>5,820</u>	<u>57,380</u>

**1(d)(i) A statement of Changes in equity of the Company**

<b>Company</b>	<b>Share Capital (\$'000)</b>	<b>Accumulated Losses (\$'000)</b>	<b>Total (\$'000)</b>
<b>Balance at 1 Jan 2019</b>	76,766	(39,469)	37,297
Total comprehensive income for the period	-	(446)	(446)
<b>Balance at 30 Jun 2019</b>	76,766	(39,915)	36,851

  

<b>Company</b>	<b>Share Capital (\$'000)</b>	<b>Accumulated Losses (\$'000)</b>	<b>Total (\$'000)</b>
<b>Balance at 1 Jan 2018</b>	54,274	(37,825)	16,449
Issurance of shares	23,229	-	23,229
Total comprehensive income for the period	-	(197)	(197)
<b>Balance at 30 Jun 2018</b>	77,503	(38,022)	39,481

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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.**

During the financial period, there is no changes in the Company's share capital.

The details of the Company's share capital are as follows:

	<b>Company</b>	
	<b>As at 30/6/2019</b>	<b>As at 31/12/2018</b>
Number of ordinary shares	93,831,492	93,831,492

  

	<b>Company</b>	
	<b>As at 30/6/2019</b>	<b>As at 31/12/2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Share capital	76,766	76,766

There were no outstanding convertibles or shares held as treasury shares as at end of the current financial period reported on and as at the end of the corresponding year of the immediately preceding financial year.



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

As at 30 June 2019 and 31 December 2018, the issued ordinary shares of the Company were 93,831,492 and 93,831,492 respectively. There were no treasury shares as at 30 June 2019 and 31 December 2018.

**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 does 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 does 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.**

These figures have not been reviewed nor audited by the Company's auditors.

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

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year as per the most recent audited financial statements for the financial year ended 31 December 2018.

**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 the new and revised Singapore Financial Reporting Standards ("FRSs") that are mandatory for financial years beginning on and after 1 Jan 2019, 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 Jan 2019.

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.**  
**(a) Based on the weighted average number of ordinary shares on issue; and**  
**(b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	Group Half year ended	
	Unaudited 30/6/2019	Unaudited 30/6/2018
<b>(Loss)/profit per ordinary shares of the group for the current period reported on and the corresponding period of the immediate preceding financial year:-</b>	Cents	Cents
<b>Basic and diluted (loss)/profit per share</b>	(0.34)	0.16
Weighted average number of ordinary shares		
Outstanding for basic and diluted (loss)/profit per share	93,831,492	88,560,936

The basic and diluted earnings/loss per share were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2019 and 30 June 2018.

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	
	Unaudited 30/6/2019 Cents	Audited 31/12/2018 Cents	Unaudited 30/6/2019 Cents	Audited 31/12/2018 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.	57.25	57.71	39.27	39.75
<b>Number of ordinary shares</b>	93,831,492	93,831,492	93,831,492	93,831,492

**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.**

**Revenue and Gross Profit**

	<b>Group Half Year Ended</b>		<b>Change %</b>
	<b>Unaudited 30/6/2019 (\$'000)</b>	<b>Unaudited 30/6/2018 (\$'000)</b>	
Engineered Environmental Systems ("EE Systems")	18,221	17,486	4.2
Water Management Services ("WM Services")	3,824	3,949	-3.2
Trading	8,296	6,839	21.3
	<b><u>30,341</u></b>	<b><u>28,274</u></b>	7.3

Revenue of the Group increased from \$28.3 million in 1H2018 to \$30.3 million in 1H2019, due to higher contribution from the Group's delivery of projects in Malaysia and Singapore.

Revenue from the EE Systems segment increased from \$17.5 million in 1H2018 to \$18.2 million in 1H2019 mainly due to the higher contribution from the Engineering, procurement, and construction ("EPC") projects in Malaysia and Singapore during the financial period. The EE Systems revenue from Malaysia and Singapore has increase from \$6.9 million in 1H2018 to \$9.5 million in 1H2019. This has been partially offset by the decrease in the EE Systems revenue from China, which dropped from \$10.6million in 1H2018 to \$8.7 million in 1H2019.

Revenue from the WM Services segment marginally decreased from \$3.9 million in 1H2018 to \$3.8 million in 1H2019. This revenue arises mainly from the service and maintenance of water treatment plants in Malaysia.

Revenue from the Trading segment increased from \$6.8 million in 1H2018 to \$8.3 million in 1H2019 mainly due to the higher contribution from the Malaysian subsidiaries.

The Group's overall gross profit ("GP") margin has decreased from 20.5% in 1H2018 to 17.5% in 1H2019. Due to the stiff competition in the market, the Group has had to lower its profit margin when tendering and securing larger contracts. A large project won in Singapore in the prior year, at lower profit margin, was executed during the first half of 2019, resulting in the drop in overall GP margin.

**Other Income**

The Group's other income has decrease from \$0.4 million in 1H2018 to \$0.2 million in 1H2019, in the absence of a one-off write back for doubtful trade receivables and debts that were no longer payable amounting to \$82,000 and \$131,000, respectively.

## **Operating Expenses**

The group's marketing and distribution expenses decreased from \$1.2 million in 1H2018 to \$0.9 million in 1H2019 mainly due to lower travelling and marketing cost incurred by the China subsidiary in securing EPC projects.

Administrative expenses comprising mainly of admin staff salary, professional fees, rental, depreciation and other operating expenses, increased slightly from \$4.5 million in 1H2018 to \$4.7 million in 1H2019. The increase is mainly due to the higher administrative expenses incurred in Singapore in the 1H2019.

There is no significant change in borrowing costs, which remained at \$0.3 million for 1H2019.

## **Balance Sheet**

### **Current Assets**

The Group's trade and other receivables comprised of the following items:-

	<b>As at 30 June 2019 (Unaudited)</b>	<b>As at 31 December 2018 (Audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract assets	24,624	36,678
Trade receivables	22,419	19,191
Other receivables, deposits and prepayments	15,933	13,102
<b>Total</b>	<b>62,976</b>	<b>68,971</b>

Contract assets decreased mainly due to the lower unbilled work done for China projects. The construction work in progress relating to these China projects has decreased from \$33.0 million as at 31 December 2018 to \$19.0 million as at 30 June 2019. The decrease in contract assets in China is due to lesser unbilled work as at 30 June 2019.

Trade receivables has increased from \$19.2 million as at 31 December 2018 to \$22.4 million as at 30 June 2019, mainly due to the increase in outstanding receivables in the China subsidiary, from \$8.6 million as at 31 December 2018 to \$14.0 million as at 30 June 2019. This was partially offset by the decrease in receivables in the Malaysia subsidiaries, which decreased from \$9.8 million as at 31 December 2018 to \$6.8 million as at 30 June 2019.

The increase in other receivables is mainly due to the increase in advance payment to suppliers from \$4.8mil as at 31 December 2018 to \$7.1mil in 30 June 2019.

### **Non-current assets**

Our non-current assets comprise of property, plant and equipment, intangible assets, deferred tax assets and other receivable.

The increase in the property, plant and equipment is mainly due to:

1. purchase of new land in Malaysia amounting to \$1,297,000;
2. renovation and upgrade on existing ion exchange resin regeneration plant in Malaysia amounting to \$240,000
3. acquisition and construction of a water supply plant in Vietnam amounting to \$697,000

The above mentioned increase is partially offset by the depreciation of property, plant and equipment amounting to \$317,000.

The decrease in the intangible assets is mainly due to the amortisation of intangible assets amounting to \$0.2 million.

## Balance Sheet (Cont'd)

### Current Liabilities

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

	<b>As at 30 June 2019 (Unaudited)</b>	<b>As at 31 December 2018 (Audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract liabilities	15,920	14,354
Trade payables	20,746	30,386
Other payables and accruals	1,923	2,703
<b>Total</b>	<b>38,589</b>	<b>47,443</b>

The slight increase in contract liabilities is mainly due to the Group having billed the customers in advance for projects in Singapore and Malaysia.

The decrease in trade payables is mainly due to the reduction in outstanding trade payables in China and Malaysia, from \$23.2 million and \$5.7 million as at 31 December, to \$18.2 million and \$2.3 mil as at 30 June 2019, respectively.

### Borrowings

The Group's borrowings remained at \$9.2 million as at 30 June 2019.

During the year, a new term loan of \$1.0 million has been obtained for the purchase of new land in Malaysia. This is offset by a loan repayment of \$1.0 million during the financial period.

### Income tax payable

The reduction is mainly due to the repayment of tax during the financial period.

### Equity

The equity of the Group has reduced from \$54.2 million as at 31 December 2018 to \$53.7 million as at 30 June 2019. This is mainly due to the losses incurred by the Group in the 1H2019.

## **Cash flow statement**

### **Cash flow statement for the period ended**

	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash used in operating activities	(2,739)	(7,992)
Cash flows used in investing activities	(1,173)	(252)
Cash flows (used in)/from financing activities	<u>(1,657)</u>	<u>15,398</u>
Net (decrease)/increase in cash and cash equivalents	<u>(5,569)</u>	<u>7,154</u>

The Group's cash position was \$21.9 million as at 30 June 2019, compared to \$27.9 million as at 31 December 2018. Out of the cash and bank balances of \$21.9 million as at 30 June 2019, \$14.5 million are maintained at subsidiaries for their working capital to run daily operations.

In 1H2019, the operating cash flow before changes in working capital was \$0.4 million, after adding non-cash items of \$0.6 million. Net cash used in operating activities was \$2.7 million mainly due to cash outflow to repay the outstanding trade payables.

Cash used in investing activities in 1H2019 was \$1.2 million mainly due to cash payment for the purchase of property, plant and equipment.

Cash used in financing activities in 1H2019 of \$1.7 million is mainly due to the monthly loan repayment to the banks and repayment of short term loan which was due in 1H2019.

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

The business activities of the Group remain broad-based and the actual results are in line with the statements made in announcements released earlier.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group will continue in its efforts of delivering advanced solutions for water and waste management systems under its core business segments of EE Systems, WM Services and Trading, while still pursuing municipal opportunities to generate recurring income from investment in Water Supply and Waste Projects.

In the next 12 months, the Group is cautiously optimistic that its business in Malaysia will continue to see growth in its EE System sales, as well as its well-established WM services as with prior years. However, given that the China market has become increasingly more competitive, the Group expects that margins for future EPC contracts will likely to contract thus may affect the Group's overall margin.

In Singapore, the Group has successfully secured HDB projects for the retrofitting of a District Pneumatic waste conveyance system under the HDB greenprint program. The Group foresees more opportunities for securing similar projects.

**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. (Cont'd)**

As previously announced, the Group has ventured into Vietnam the new market for its investment portfolio of building and maintaining water treatment systems, and shall continue to execute these projects in the next 12 months. The Group believes that there are opportunities to secure more water and waste management projects in Vietnam given its rapid industrial and economic growth.

Meanwhile, the Group is evaluating its initial decision to enter into the Solar Power Generation segment, and shall consider whether it would be more prudent to focus its financial and human resources on its core areas of expertise of water and waste management solutions instead.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

Not applicable.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No dividend has been declared/recommendeded for the current financial period in view that the Company was loss making.

### 13. Use of proceeds

Pursuant to the share placement to Sofos, RS and WZ, which was completed on 8 February 2018, 21 March 2018 and 23 March 2018 respectively, the Company received net proceeds from the issuance of new shares of approximately \$20,732,000, after deducting share issue expenses.

The utilisation of the share placement proceeds as at the date of this announcement is as follows:

	<b>Engineering contracts and business expansion</b>	<b>Funding new projects, investments in environmental relation infrastructure projects and other investments</b>	<b>Working Capital</b>	<b>Total Funds received/ used</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Funds received</b>				
Sofos Placement	-	630,000	270,000	900,000
RS Placement	-	1,470,000	630,000	2,100,000
WZ Placement	5,397,600	12,594,400	-	17,992,000
Share issue expenses	(59,100)	(181,900)	(19,000)	(260,000)
	<b>5,338,500</b>	<b>14,512,500</b>	<b>881,000</b>	<b>20,732,000</b>
<b>Funds used</b>				
Infrastructure projects				
- Vietnam	-	(2,440,000)	-	(2,440,000)
- China	-	(1,191,000)	-	(1,191,000)
Engineering, Procurement and Construction ("EPC") business expansion in:				
- China	(525,000)	-	-	(525,000)
- Malaysia	(979,000)	-	-	(979,000)
Business expansion – Pneumatic Waste Conveyance System	(1,000,000)	(4,000,000)	-	(5,000,000)
Employee expenses	-	-	(625,000)	(625,000)
Legal and professional fees	-	-	(256,000)	(256,000)
Total	(2,504,000)	(7,631,000)	(881,000)	11,016,000
Net Balances	<b>2,834,500</b>	<b>6,881,500</b>	<b>-</b>	<b>9,716,000</b>

The above utilisation is in accordance with the intended use of proceeds of the Shares Placements as stated in the announcement dated 22 February 2018.



- 14. 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.**

Name of Interested Person	Aggregate value of all interested person transactions during the financial period 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 S\$100,000 and above entered into in HY2019.

- 15. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

- 16. 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 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Wang Yaoyu  
Executive Chairman

Poh Kok Hong  
Executive Director and CEO

**BY ORDER OF THE BOARD**

**Poh Kok Hong**  
**Executive Director and CEO**  
13 August 2019