

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

**Unaudited Financial Statements for the Full Year Ended 31 December 2020**

**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.**

	Full year ended 31 December		
	Unaudited 2020 (S\$'000)	Audited 2019 (S\$'000)	Change %
Revenue	78,082	74,801	4.4
Cost of sales	(64,468)	(64,802)	-0.5
<b>Gross Profit</b>	<b>13,614</b>	<b>9,999</b>	36.2
Other income	1,913	451	324.2
Distribution expenses	(1,118)	(1,733)	-35.5
Administrative expenses	(12,332)	(16,294)	-24.3
Impairment loss on financial assets	(38)	(3,771)	-99.0
Finance costs	(265)	(550)	-51.8
<b>Profit/(Loss) before income tax</b>	<b>1,774</b>	<b>(11,898)</b>	-114.9
Income tax (expense)/credit	(424)	417	-201.7
<b>Profit/(Loss) for the financial year, net of tax</b>	<b>1,350</b>	<b>(11,481)</b>	-111.8
<b>Profit/(Loss) attributable to:</b>			
Equity holders of the Company	1,251	(8,829)	-114.2
Non-controlling interests	99	(2,652)	-103.7
	<b>1,350</b>	<b>(11,481)</b>	-111.8

Note: n.m – Not Meaningful

**1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FULL YEAR ENDED 31 DECEMBER 2020.**

	Full year ended 31 December		
	Unaudited 2020 (S\$'000)	Audited 2019 (S\$'000)	Change %
<b>Profit/(Loss) for the financial year, net of tax</b>			
<b>Other comprehensive income/(loss):</b>			
<u>Items that may be reclassified to profit and loss subsequently</u>			
Currency translation differences arising from consolidation	371	(442)	-183.9
Currency translation differences arising from consolidation reclassified to profit or loss	(77)	-	n.m
<b>Other comprehensive income/(loss) for the financial year</b>	294	(442)	-166.5
<b>Total comprehensive income/(loss) for the financial year</b>	1,644	(11,923)	-113.8
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company	1,700	(9,200)	-118.5
Non-controlling interests	(56)	(2,723)	-97.9
	1,644	(11,923)	-113.8

**Note:** n.m - not meaningful

**NOTES TO THE CONSOLIDATED INCOME STATEMENT**

**1(a)(iii) Profit before income tax from operations is arrived at after (charging)/crediting the followings:**

Included in other income are:	Group		
	Financial Year Ended		
	Unaudited 31/12/2020 (S\$'000)	Audited 31/12/2019 (S\$'000)	Change %
Interest income	153	151	1.3
Government grants	1,428	248	475.8
Rental rebate	30	-	n.m
Gain on disposal of property, plant and equipment	19	8	137.5
Gain on foreign exchange, net	215	8	2,587.5
Miscellaneous income	68	36	88.9
	1,913	451	324.2

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Finance costs:	Group		
	Financial Year Ended		Change %
	Unaudited 31/12/2020 (S\$'000)	Audited 31/12/2019 (S\$'000)	
Interest expense on:-			
Amount owing to a related party	12	15	-20.0
Amount due to directors of the Company	9	219	-95.9
Borrowings	192	256	-25.0
Lease liabilities	33	25	32.0
Trust receipts	19	24	-20.8
Other payables	-	11	-100.0
	<u>265</u>	<u>550</u>	-51.8

Included in the Profit before income tax are:	Group		
	Financial Year Ended		Change %
	Unaudited 31/12/2020 (S\$'000)	Audited 31/12/2019 (S\$'000)	
Impairment loss on financial assets, net	38	3,771	-99.0
Impairment loss on intangible asset	-	2,920	-100.0
Amortisation of intangible assets	153	1,669	-90.8
Provision of slow-moving stocks	36	-	n.m
Auditors' remuneration paid / payable to			
- Auditor of the Company	166	168	-1.2
- Other auditors	164	133	23.3
Depreciation of property, plant and equipment	661	650	1.7
Depreciation of right-of-use assets	398	320	24.4
Fair value (gain) / loss on derivatives	(3)	3	-200.0
Property, plant and equipment written off	-	6	-100.0
Inventories written off	-	78	-100.0
Personnel expenses	10,633	11,429	7.0
Legal and professional fees	1,066	591	80.4
Leases expenses not included in lease liabilities – short term leases	159	237	-32.9
(Gain)/Loss on foreign exchange, net	(90)	269	-133.5
Gain on disposal of property, plant and equipment	(19)	(6)	216.7
Research and development fees	1,608	1,392	15.5

**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	Audited	Unaudited	Audited
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	6,079	7,630	-	-
Right-of-use assets	900	715	-	-
Intangible assets	911	3,593	-	-
Investment in subsidiaries	-	-	17,219	19,739
Deferred tax assets	520	653	-	-
Other receivables	1,324	-	1,325	-
	<b>9,734</b>	<b>12,591</b>	<b>18,544</b>	<b>19,739</b>
<b>Current assets</b>				
Inventories	1,844	6,186	-	-
Trade and other receivables	61,180	62,507	14,602	15,487
Income tax recoverable	279	143	-	-
Cash and bank balances	19,006	27,420	1,964	6,341
Total current assets	<b>82,309</b>	<b>96,256</b>	<b>16,566</b>	<b>21,828</b>
<b>Total assets</b>	<b>92,043</b>	<b>108,847</b>	<b>35,110</b>	<b>41,567</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	39,470	52,592	1,560	1,411
Borrowings	5,378	10,940	1,325	5,349
Lease liabilities	304	323	-	-
Derivative financial instrument	-	3	-	-
Income tax payable	385	264	-	-
Total current liabilities	<b>45,537</b>	<b>64,122</b>	<b>2,885</b>	<b>6,760</b>
<b>Non-current liabilities</b>				
Other payables	-	-	-	-
Borrowings	1,032	1,310	-	-
Lease liabilities	464	242	-	-
Deferred tax liabilities	3	28	-	-
Total non-current liabilities	<b>1,499</b>	<b>1,580</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>47,036</b>	<b>65,702</b>	<b>2,885</b>	<b>6,760</b>
<b>Net assets</b>	<b>45,007</b>	<b>43,145</b>	<b>32,225</b>	<b>34,807</b>

**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 (Continued)**

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	S\$'000	S\$'000	S\$'000	S\$'000
<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	(2,811)	(3,395)	-	-
Accumulated losses	(32,371)	(33,487)	(44,541)	(41,959)
	41,584	39,884	32,225	34,807
Non-controlling interests	3,423	3,261	-	-
<b>Total equity</b>	<b>45,007</b>	<b>43,145</b>	<b>32,225</b>	<b>34,807</b>

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

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

As at 31 Dec 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,053	1,325	5,039	5,901

**Amount repayable after one year**

As at 31 Dec 2020		As at 31 Dec 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,032	-	1,310	-

**Details of any collateral**

As at 31 December 2020 and 31 December 2019, the secured borrowings are secured by corporate guarantees by the Company and freehold lands, freehold buildings and leasehold lands, and buildings of the subsidiaries.

**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.**

	Note	<b>Full year ended 31 December</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>2020</b>	<b>2019</b>	<b>2019</b>
		<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>
<b>Cash flows from operating activities</b>				
Profit/(Loss) before income tax		1,774		(11,898)
Adjustments for:				
Amortisation of intangible assets		153		1,669
Depreciation of property, plant and equipment		661		650
Depreciation of right-of-use assets		398		320
Fair value (gain)/loss on derivatives		(3)		3
Gain on disposal of property, plant and equipment		(19)		(6)
Impairment loss on intangible assets		-		2,920
Property, plant and equipment written off		-		6
Inventories written off		-		78
Provision for slow moving stocks		36		-
Impairment loss on trade and other receivables		38		3,771
Loss on disposal of subsidiaries		151		-
Payables written off		(30)		-
Interest expense		265		550
Interest income		(153)		(151)
Unrealised exchange differences		197		1,611
		<hr/>		<hr/>
Operating profit/(loss) before working capital changes		3,468		(477)
Change in working capital:				
Inventories		4,486		(3,267)
Contract (liabilities)/assets		(21,635)		17,969
Trade and other receivables		8,947		(16,602)
Trade and other payables		3,674		2,660
Refund/(addition) of pledged fixed deposits and bank balances		220		(1,369)
		<hr/>		<hr/>
Cash generated used in operations		(840)		(1,086)
Income taxes paid		(596)		(374)
		<hr/>		<hr/>
Net cash used in operating activities		(1,436)		(1,460)
		<hr/>		<hr/>

**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. (Continued)**

	Note	Full year ended 31 December	
		Unaudited 2020 (S\$'000)	Audited 2019 (S\$'000)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	A	(612)	(2,032)
Proceeds from disposal of property, plant and equipment		21	28
Placement of fixed deposits with tenure more than 3 months		937	(114)
Acquisition of a subsidiary, net of cash acquired		-	(1,674)
Disposal of subsidiaries, net of cash disposed		(89)	-
Interest received		153	151
		<hr/>	<hr/>
Net cash generated from/(used in) investing activities		410	(3,641)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from issuances of new shares, by way of cash			-
Share issuance cost			-
Partial disposal of a subsidiary without a change in control		-	1,000
Proceeds from borrowings		1,600	5,624
Repayment of borrowings		(7,386)	(2,911)
Principal repayment of lease liabilities		(413)	(319)
Interest paid		(244)	(562)
		<hr/>	<hr/>
Net cash (used in)/ generated from financing activities		(6,443)	2,832
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(7,469)	(2,269)
<b>Cash and cash equivalents at the beginning of financial year</b>		20,179	22,673
<b>Effect of exchange rate changes on cash and cash equivalents</b>		227	(225)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of financial year</b>		<b>12,937</b>	<b>20,179</b>
		<hr/>	<hr/>

**Note A**

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

	2020 \$'000	2019 \$'000
Property, plant and equipment purchased during the financial year	612	2,322
Less:		
Deposit paid in previous financial year	-	(290)
Finance lease liabilities	-	-
	<hr/>	<hr/>
Cash payment to acquire property, plant and equipment	612	2,032
	<hr/>	<hr/>

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

	<b>Full year ended 31 Dec</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>2020</b>	<b>2019</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>
<b>Cash and cash equivalents comprise the following:-</b>		
Bank and cash balances as per statements of financial position	19,006	27,420
Bank balances pledged	(1,512)	(2,747)
Fixed deposits pledged	(2,016)	(2,236)
Fixed deposits with tenure more than 3 months	(412)	(114)
Bank overdraft	(2,129)	(2,144)
Cash and cash equivalent as per consolidated cash flows	<u>12,937</u>	<u>20,179</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>Attributable to equity holders of the Company</b>							
	Share capital	Forex reserves	Statutory reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
<b>Balance as at 1.1.2020</b>	76,766	(4,719)	484	840	(33,487)	39,884	3,261	43,145
Profit/Loss for financial year	-	-	-	-	1,251	1,251	99	1,350
Other comprehensive loss for the financial year, net of tax								
- Currency translation differences arising from consolidation	-	526	-	-	-	526	(155)	371
- Currency translation differences arising from consolidation reclassified to profit or loss	-	(77)	-	-	-	(77)	-	(77)
Total comprehensive income for the financial year	-	449	-	-	1,251	1,700	(56)	1,644
<u>Contribution by and distribution to owners</u>								
Transfer to statutory reserve	-	-	135	-	(135)	-	-	-
Total contribution by and distribution to owners	-	-	135	-	(135)	-	-	-
<u>Changes in ownership interests in subsidiaries</u>								
Elimination of non-controlling interests upon disposal of subsidiaries	-	-	-	-	-	-	218	218
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	218	218
<b>Balance as at 31.12.2020</b>	<b>76,766</b>	<b>(4,270)</b>	<b>619</b>	<b>840</b>	<b>(32,371)</b>	<b>41,584</b>	<b>3,423</b>	<b>45,007</b>

**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. (Continued)**

	Attributable to equity holders of the Company			Total (S\$'000)	Non- controlling interests (S\$'000)	Total (S\$'000)
	Share Capital (S\$'000)	Other reserves (S\$'000)	Accumulated losses (S\$'000)			
<b>Balance as at 1.1.2019 as restated</b>	76,766	(3,261)	(24,658)	48,847	5,305	54,152
Loss for the financial year	-	-	(8,829)	(8,829)	(2,652)	(11,481)
Other comprehensive loss for the financial year, net of tax						
- Currency translation differences arising from consolidation	-	(371)	-	(371)	(71)	(442)
Total comprehensive loss for the financial year	-	(371)	(8,829)	(9,200)	(2,723)	(11,923)
<u>Change in ownership interests in subsidiaries</u>						
Partial disposal of a subsidiary without a change in control	-	237	-	237	763	1,000
Acquisition of subsidiaries	-	-	-	-	(84)	(84)
<b>Balance as at 31.12.2019</b>	<b>76,766</b>	<b>(3,395)</b>	<b>(33,487)</b>	<b>39,884</b>	<b>3,261</b>	<b>43,145</b>

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

Company	Share Capital (S\$'000)	Accumulated Losses (S\$'000)	Total (S\$'000)
<b>Balance at 1.1.2020</b>	76,766	(41,959)	34,807
<b>Total comprehensive loss for the financial year</b>	-	(2,582)	(2,582)
<b>Balance at 31.12.2020</b>	76,766	(44,541)	32,225

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

<b>Company</b>	<b>Share Capital (S\$'000)</b>	<b>Accumulated Losses (S\$'000)</b>	<b>Total (S\$'000)</b>
<b>Balance at 1.1.2019</b>	76,766	(39,469)	37,297
<b>Total comprehensive loss for the financial year</b>	-	(2,490)	(2,490)
<b>Balance at 31.12.2019</b>	76,766	(41,959)	34,807

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

During the financial period, there are 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 31/12/2020</b>	<b>As at 31/12/2019</b>
Number of ordinary shares	<u>93,831,492</u>	<u>93,831,492</u>

  

	<b>Company</b>	
	<b>As at 31/12/2020</b>	<b>As at 31/12/2019</b>
Share capital	<u>\$'000 76,766</u>	<u>\$'000 76,766</u>

There were no outstanding convertibles or shares held as treasury shares as at the end of the current financial year 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 31 December 2020 and 31 December 2019, the issued ordinary shares of the Company were 93,831,492 and 93,831,492, respectively. There were no treasury shares as at 31 December 2020 and 31 December 2019.

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

Not applicable. The Company does not have any treasury shares 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 computation methods 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 2019.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Adoption of new and revised standards

On 1 January 2020, the Group adopted the new or amended Singapore Financial Reporting Standards ((International) ("SFRS(I)") and SFRS(I) Interpretations ("SFRS(I) INT") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended SFRS(I) and SFRS(I) INT did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below:

**Early adoption of Amendments to FRS 116: COVID-19 pandemic - Related Rent Concessions**

The Group has elected to early adopt the amendments to SFRS(I)-16 which introduced a practical expedient for a lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, if all the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all property leases. As a result of applying the practical expedient, rent concessions of \$35,605 were recognised as negative variable lease payments in the profit or loss during the year, which is reflected as a reduction of lease expenses amounting to \$5,738 and other income of \$29,867.

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).**

	Financial Year ended	
	Unaudited 31/12/2020 \$'000	Audited 31/12/2019 \$'000
<b>Earnings per ordinary shares of the group for the current year reported on and the corresponding period of the immediate preceding financial year:-</b>		
Net profit/(loss) attributable to equity holders of the Company (\$'000)	1,251	(8,829)
Weighted average number of ordinary shares outstanding for basic earnings per share - adjusted	93,831,492	93,831,492
Basic and diluted profit/(loss) per share (Cents)	1.33	(9.41)

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 31 December 2019 and 31 December 2020.

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 31/12/2020 Cents	Audited 31/12/2019 Cents	Unaudited 31/12/2020 Cents	Audited 31/12/2019 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 year.	47.97	45.98	34.34	37.10
<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 from continuing operations and Gross Profit**

	<b>Group</b>		<b>Change</b>
	<b>Full Year Ended</b>		
	<b>Unaudited</b>	<b>Audited</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>%</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>	
Engineered Environmental Systems ("EE Systems")	61,638	53,700	14.8
Water Management Services ("WM Services")	6,914	8,346	-17.2
Trading	9,530	12,755	-25.3
	<b><u>78,082</u></b>	<b><u>74,801</u></b>	4.4

Revenue of the Group increased from \$74.8 million in FY2019 to \$78.1 million in FY2020.

Revenue from the EE Systems segment increased from \$53.7 million in FY2019 to \$61.6 million in FY2020 mainly due to higher contribution from the Engineering, Procurement, and Construction ("EPC") projects in China and Malaysia.

Revenue from the WM Services segment decreased from \$8.3 million in FY2019 to \$6.9 million in FY2020 mainly due to lower contribution from Malaysia. The revenue from Malaysia's WM Service segment has dropped from \$7.2 million in FY2019 to \$6.6 million in FY2020 due to the Movement Control Order ("MCO") measures implemented by the Malaysian Government as a response to the COVID-19 pandemic.

Sales from trading of chemicals, spare parts, and other consumables decreased from \$12.8 million in FY2019 to \$9.5 million in FY2020 due to the slowdown in customers' production activities amidst the COVID-19 pandemic in Malaysia.

The Group's overall gross profit increased from \$10.0 million in FY2019 to \$13.6 million in FY2020. Overall gross profit ("GP") margin has increased from 13.4% in FY2019 to 17.4% in FY2020; the increase in GP margin is mainly due to the increase in EPC Project margin.

**Other income**

The Group's other income increased from \$0.5 million in FY2019 to \$1.9 million in FY2020. This is mainly due to the increase in government grant income from \$0.2 million in FY2019 to \$1.4 million in FY2020.

### **Operating expenses**

The Group's marketing and distribution expenses decreased from \$1.7 million in FY2019 to \$1.1 million in FY2020 mainly due to lower travelling costs during the COVID-19 pandemic.

Administrative expenses comprising of staff salary, professional fees, depreciation, and other operating expenses decreased from \$16.3 million in FY2019 to \$12.3 million in FY2020, mainly due to the one-off amortisation of intangible assets amounting to \$2.9 million in FY2019.

Impairment loss on financial assets has reduced significantly from \$3.7 million in FY2019 to \$0.04 million in FY2020. This is mainly due to lower outstanding receivables in Year 2020; therefore, a lesser impairment loss is required in FY2020.

### **Finance expenses**

Finance costs decreased from \$0.6 million in FY2019 to \$0.3 million in FY2020.

There is no interest incurred for the shareholder loan in FY2020 (FY2019: \$0.2 million). The Group has paid off the S\$4 million loan to shareholder in Year 2020.

### **Income tax expense**

The income tax expenses recorded for FY2020 mainly come from income tax provision for the operating subsidiaries in Malaysia. The increase in tax provision is mainly due to the operating profit generated by the Group in FY2020.

## Current assets

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

	<b>As at 31 December 2020 (Unaudited) \$'000</b>	<b>As at 31 December 2019 (Audited) \$'000</b>
Trade receivables	26,508	32,229
Contract assets	23,923	16,321
Other receivables, deposits and prepayments	10,749	13,957
Trade and other receivables	61,180	62,507
Inventories	1,844	6,186
Income tax recoverable	279	143
Cash and bank balances	19,006	27,420
<b>Total</b>	<b>82,309</b>	<b>96,256</b>

### Trade and other receivables

Trade receivables decreased from \$32.2 million in FY2019 to \$26.5 million in FY2020, mainly due to lower trade receivables in China. The outstanding receivables in China have decreased from \$20.7 million in FY2019 to \$16.5 million in FY2020.

Contract assets increased mainly due to the higher construction activities in the second half of Year 2020, where the work remained unbilled as at 31 December 2020. Contract assets relating to China projects increased from \$12.5 million as at 31 December 2019 to \$18.5 million as at 31 December 2020.

The decrease in other receivables, deposits and prepayment were mainly due to the decrease in advance payment to suppliers from \$7.9 million as at 31 December 2019 to \$2.9 million on 31 December 2020. This is partially offset by:-

- (i) the increase in project tender deposits of \$0.9 million; and
- (ii) the increase in the prepayments by \$0.4 million.

### Inventories

There is a decrease in inventories from \$6.2 million in FY2019 to \$1.8 million in FY2020. This is because there was a stock in transit recorded in our subsidiary in China amounting to \$4.4 million back in FY2019.

### Cash and Bank balances

There is a decrease in cash and bank balances from \$27.4 million in FY2019 to \$19.0 million in FY2020. This is mainly due to the repayment of loan to a shareholder amounting to \$4.0 million in the early Year 2020, repayment of borrowings in China amounting to \$0.8 million, and repayment of trade line facilities amounting to \$1.9 million.

## Non-current assets

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

### Property, plant and equipment

The decrease in property, plant and equipment is mainly due to the derecognition of property, plant and equipment resulting from the disposal of the PEI Group, amounting to \$1.1 million as at 31 December 2019 and depreciation of \$0.7 million in FY2020.

### Right-of-use assets

The Group Right-of-use assets are derived mainly from the long-term leases of office space,



warehouse, and staff hostel. There are no significant changes in rights-of-use assets.

#### Intangible assets

	FY2020	FY2019
	S\$'000	S\$'000
Intangible assets		
- Goodwill on acquisition	905	3,440
- Patented technologies and license	-	142
- Software	6	11
	<b>911</b>	<b>3,593</b>

The decrease in intangible assets is mainly due to the derecognition of goodwill amounting to \$2.5 million resulting from the disposal of PT Panghegar Energy Indonesia ("PEI"). For further details, please refer to the announcement dated 26 November 2020.

#### **Current liabilities**

##### Trade and other payables

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

	<b>As at 31 December 2020 (Unaudited)</b>	<b>As at 31 December 2019 (Audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	22,091	18,754
Other payables and accruals	3,020	6,460
Contract liabilities	14,359	27,378
<b>Total</b>	<b>39,470</b>	<b>52,592</b>

The increase in trade payables from \$18.8 million in FY2019 to \$22.1 million in FY2020 is mainly due to more purchases made in our China subsidiaries towards the end of the financial year, which remained unpaid as at 31 December 2020. This is in line with the increase in the Group revenue.

The decrease in other payables and accruals is mainly due to the derecognition of payables and accruals resulting from the disposal of the PEI Group, amounting to \$2.7 million as at 31 December 2019. Included in the prior year, there was a loan interest of \$0.4 million payable, which had been paid off in FY2020.

Contract liabilities decreased mainly due to a decrease in advanced billing for work done in our projects in China.

##### Borrowings

Total borrowings decreased from \$12.3 million as at 31 December 2019 to \$6.4 million as at 31 December 2020. The net decrease is mainly due to the repayment of loans to a shareholder amounting to \$4.0 million, drawdown of bank borrowings amounting to \$1.6 million and repayment of bank borrowing amounting to \$1.4 million.

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

	<b>Unaudited 31 Dec 2020 S\$'000</b>	<b>Audited 31 Dec 2019 S\$'000</b>
Cash flows used in operating activities	(1,436)	(1,460)
Cash flows from/ (used in) investing activities	410	(3,641)
Cash flows (used in)/from financing activities	(6,443)	2,832
Net increase in cash and cash equivalents	(7,469)	(2,269)

The Group cash position was \$19.0 million as at 31 December 2020, compared to \$27.4 million as at 31 December 2019, \$17.0 million are maintained at subsidiaries for their working capital to run daily operations and support on-going projects.

Cash generated from investing activities in FY2020 of \$0.4 million was mainly due to the withdrawal of fixed deposit in Year 2020.

Cash used in financing activities in FY2020 of \$6.4 million was mainly due to the repayment of shareholder loan, bank borrowing and, OD facilities.

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

The actual results deviate from statements made in the announcement released in relation to the COVID-19 pandemic on 25 February 2020 and 14 August 2020 due to the better-than-expected performance by the Group's subsidiary in China in the second half of FY2020.

**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's subsidiaries in China and Malaysia are expected to maintain their results, barring unforeseen COVID-19 pandemic situation.

In Singapore, the Group foresees that its on-going construction of pneumatic waste conveyance systems would be impeded due to the COVID-19 pandemic measures imposed by the authorities. Construction costs are likely to escalate, given the tightening of labour regulations, and the increase in shipping costs due to constraints in shipping options.

**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/recommendeded, a statement to that effect and the reason(s) for the decision.**

No dividend has been declared/recommendeded for FY2020 in view that the Company would need to conserve cash for the working capital.

### 13. Use of proceeds

Pursuant to the share placements to Sofos, RS and WZ, which were completed on 8 February 2019, 21 March 2019 and 23 March 2019 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><u>Funds received</u></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><u>Funds used</u></b>				
Infrastructure projects	-	(6,780,709)	-	(6,780,709)
Engineering, Procurement and Construction ("EPC") business expansion and funding of new projects in China and Malaysia	(4,338,500)	(1,165,264)	-	(5,503,784)
Business expansion and funding of new projects – Pneumatic Waste Conveyance System	(1,000,000)	(4,000,000)	-	(5,000,000)
Working capital				
- Payment of staff salary			(863,000)	(863,000)
- Professional fees			(18,000)	(18,000)
Total	<b>(5,338,500)</b>	<b>(11,945,993)</b>	<b>(881,000)</b>	<b>(18,165,493)</b>
Net Balances	<b>-</b>	<b>2,566,507</b>	<b>-</b>	<b>2,566,507</b>

The above utilisation is in accordance with the intended use of proceeds of the Shares Placements as stated in the announcement dated 13 November 2018 and 22 February 2019.

**14. Segmented revenue and results of business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

The segment information for the reportable segments of continuing operations for the financial year ended 31 December 2020 is as follows:

**2020**

	EE Systems	WM Services	Trading	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	61,638	6,914	9,530	-	78,082
Sales to external customers					
Inter-segment sales	-	-	843	(843)	-
<b>Total</b>	<b>61,638</b>	<b>6,914</b>	<b>10,373</b>	<b>(843)</b>	<b>78,082</b>
<b>Segment profit</b>	<b>9,866</b>	<b>928</b>	<b>2,820</b>	<b>-</b>	<b>13,614</b>
Other information:					
Additions to property, plant and equipment	126	88	-	-	214
Impairment loss on financial assets, net	38	-	-	-	38
Amortisation of intangible assets	153	-	-	-	153
Depreciation of property, plant, and equipment	193	33	54	-	280
Depreciation of right-of-use assets	215	28	38	-	281
Finance costs	176	35	54	-	265
Interest income	87	13	20	-	120
Gain on disposal of property, plant and equipment	1	1	6	-	8
Legal and other professional fees	101	86	24	-	211
<b>Assets</b>					
Segment assets	70,861	3,034	5,805	-	79,700
<b>Liabilities</b>					
Segment liabilities	42,303	1,370	1,502	-	45,175

Segment assets and liabilities are derived after deducting deferred tax assets and liabilities.

**14. Segmented revenue and results of business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Continued)**

The segment information for the reportable segments of continuing operations for the financial year ended 31 December 2019 is as follows:

**2019**

	EE Systems \$'000	WM Services \$'000	Trading \$'000	Eliminations \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	53,700	8,346	12,755	-	74,801
Inter-segment sales	-	-	608	(608)	-
<b>Total</b>	<b>53,700</b>	<b>8,346</b>	<b>13,363</b>	<b>(608)</b>	<b>74,801</b>
<b>Segment profit</b>	<b>5,179</b>	<b>2,148</b>	<b>2,672</b>	<b>-</b>	<b>9,999</b>
<b>Other information:</b>					
Additions to property, plant and equipment	7	9	55	-	71
Impairment loss on financial assets, net	2,734	731	351	-	3,816
Impairment loss on intangible assets	2,920	-	-	-	2,920
Amortisation of intangible assets	1,669	-	-	-	1,669
Depreciation of property, plant, and equipment	375	49	60	-	484
Depreciation of right-of-use assets	7	-	30	-	37
Finance costs	249	50	48	-	347
Interest income	48	12	18	-	78
Loss / (Gain) on disposal of property, plant and equipment	1	(8)	-	-	(7)
Legal and other professional fees	72	7	34	-	113
<b>Assets</b>					
Segment assets	78,254	5,213	8,639	-	92,106
<b>Liabilities</b>					
Segment liabilities	52,063	1,436	1,377	-	54,876

Segment assets and liabilities are derived after deducting deferred tax assets and liabilities.

**14. Segmented revenue and results of business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year (Continued)**

*Geographical information*

Revenue and non-current assets information based on the geographical location of customers are as follows:

	Revenue		Non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Geographical</b>				
Malaysia	26,104	28,325	3,908	4,025
The People's Republic of China	40,728	29,998	3,087	2,461
Taiwan	769	742	108	52
Singapore	10,267	15,050	1,848	1,259
Vietnam	214	353	263	472
Other countries	-	333	-	3,669
	<u>78,082</u>	<u>74,801</u>	<u>9,214</u>	<u>11,938</u>

Non-current assets information presented above are non-current assets as presented on the statement of financial position excluding deferred income tax assets.

**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.**

Please refer to Paragraph 8 above for further details.

**16. A breakdown of sales**

	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Sales reported for the first half of the year	27,132	30,341
Profit/(loss) after tax before non-controlling interest reported for the first half year	(2,036)	(297)
Sales reported for the second half of the year	50,950	44,460
(Loss)/profit after tax before non-controlling interest reported for the second half year	3,386	(11,184)

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

No dividend has been recommended or declared for the year ended 31 December 2020 and 2019.

- 18. 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 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 S\$100,000 and above entered into in FY2020.

- 19. 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.

- 20. 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.

**BY ORDER OF THE BOARD**

**Poh Kok Hong**  
**Executive Director and CEO**  
 1 March 2021