



SOLUTIONS TO WATER & WASTE

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

A. Condensed interim consolidated statement of profit or loss and other comprehensive income for the Half Year Ended 30 June 2022

	Note	Group Half year ended		Change %
		Unaudited 30-Jun-22 (\$'000)	Unaudited 30-Jun-21 (\$'000)	
Revenue	4	30,950	16,705	85.3
Cost of sales		(26,446)	(14,079)	87.8
Gross Profit		4,504	2,626	71.5
Other income	5	201	390	(48.5)
Distribution expenses		(359)	(820)	(56.2)
Administrative expenses		(4,711)	(4,398)	7.1
Finance costs	6	(117)	(109)	7.3
Loss before income tax	7	(482)	(2,311)	(79.1)
Income tax credit/(expense)	9	2	(2)	(200.0)
Loss for the financial period, net of tax		(480)	(2,313)	(79.2)
Loss attributable to:				
Equity holders of the Company		(304)	(1,876)	(83.8)
Non-controlling interests		(176)	(437)	(59.7)
		(480)	(2,313)	(79.2)
Other comprehensive income/(loss):				
<u>Items that may be reclassified to profit and loss subsequently</u>				
Currency translation differences arising from consolidation		(37)	(45)	(17.8)
Other comprehensive (loss) for the financial period		(37)	(45)	(17.8)
Total comprehensive (loss) for the financial period		(517)	(2,358)	(78.1)
Total comprehensive loss attributable to:				
Equity holders of the Company		(285)	(1,922)	(85.2)
Non-controlling interests		(232)	(436)	(46.8)
		(517)	(2,358)	(78.1)
Earnings per share for loss for the period attributable to the owners of the Company during the year:				
Basic (SGD in cent)		(0.32)	(2.00)	(83.8)
Diluted (SGD in cent)		(0.32)	(2.00)	(83.8)

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 30 June 2022 and 30 June 2021.

Note: n.m - not meaningful

B. Condensed interim statements of financial position as at 30 June 2022

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2022	31/12/2021	30/06/2022	31/12/2021
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant equipment	10	5,225	5,587	-	-
Right-of-use assets		595	642	-	-
Intangible assets		3,428	2,713	-	-
Investment in subsidiaries		-	-	19,321	19,321
Deferred tax assets		934	966	-	-
Other receivables		797	797	788	788
		<u>10,979</u>	<u>10,705</u>	<u>20,109</u>	<u>20,109</u>
Current assets					
Inventories		4,398	4,541	-	-
Trade and other receivables		42,682	44,614	6,998	7,335
Income tax recoverable		458	358	-	-
Cash and bank balances		15,022	23,433	1,020	1,500
Total current assets		<u>62,560</u>	<u>72,946</u>	<u>8,018</u>	<u>8,835</u>
Total assets		<u>73,539</u>	<u>83,651</u>	<u>28,127</u>	<u>28,944</u>
LIABILITIES					
Current liabilities					
Trade and other payables		29,774	37,918	1,876	2,021
Borrowings	11	2,950	4,016	-	-
Lease liabilities		328	293	-	-
Other financial liabilities		2,783	2,783	-	-
Income tax payable		144	422	-	-
Total current liabilities		<u>35,979</u>	<u>45,432</u>	<u>1,876</u>	<u>2,021</u>
Non-current liabilities					
Borrowings	11	818	879	-	-
Lease liabilities		145	226	-	-
Deferred tax liabilities		3	3	-	-
Total non-current liabilities		<u>966</u>	<u>1,108</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>36,945</u>	<u>46,540</u>	<u>1,876</u>	<u>2,021</u>
Net assets		<u>36,594</u>	<u>37,111</u>	<u>26,251</u>	<u>26,923</u>

B. Condensed interim statements of financial position as at 30 June 2022 (Cont'd)

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30/06/2022	31/12/2021	30/06/2022	31/12/2021
		\$'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		(3,054)	(3,073)	-	-
Accumulated losses		(39,192)	(38,888)	(50,515)	(49,843)
		<u>34,520</u>	<u>34,805</u>	<u>26,251</u>	<u>26,923</u>
Non-controlling interests		2,074	2,306	-	-
Total equity		<u>36,594</u>	<u>37,111</u>	<u>26,251</u>	<u>26,923</u>

C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2022

Group	Attributable to equity holders of the Company			Total (\$'000)	Non- controlling interests (\$'000)	Total (\$'000)
	Share capital (\$'000)	Other reserve (\$'000)	Accumulated losses (\$'000)			
Balance as at 1.1.2022	76,766	(3,073)	(38,888)	34,805	2,306	37,111
Loss for 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 loss for the financial period	-	19	-	19	(56)	(37)
Balance as at 30.06.2022	76,766	(3,054)	(39,192)	34,520	2,074	36,594

Group	Attributable to equity holders of the Company			Total (\$'000)	Non- controlling interests (\$'000)	Total (\$'000)
	Share Capital (\$'000)	Other reserves (\$'000)	Accumulated losses (\$'000)			
Balance as at 1.1.2021 as restated	76,766	(3,170)	(32,435)	41,161	2,954	44,115
Capital injection from non-controlling interests	-	-	-	-	2,020	2,020
Loss for the financial period	-	-	(1,876)	(1,876)	(437)	(2,313)
Other comprehensive income/(loss) for the financial period, net of tax						
- Currency translation differences arising from consolidation	-	(46)	-	(46)	1	(45)
Total comprehensive income/(loss) for the financial period	-	(46)	-	(46)	1	(45)
Balance as at 30.06.2021	76,766	(3,216)	(34,311)	39,239	4,538	43,777

**C. Condensed interim statements of changes in equity for the Half Year Ended 30 June 2022
(Cont'd)**

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

Company	Share Capital (\$'000)	Accumulated Losses (\$'000)	Total (\$'000)
Balance at 1.1.2021	76,766	(44,564)	32,202
Total comprehensive loss for the financial period	-	(695)	(695)
Balance at 30.06.2021	76,766	(45,259)	31,507

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2022

	Group half year ended	
	Unaudited	Unaudited
	30/06/2022	30/06/2021
	(\$'000)	(\$'000)
Cash flows from operating activities		
Loss before income tax	(482)	(2,311)
Adjustments for:		
Amortisation of intangible assets	4	3
Depreciation of property, plant and equipment	257	284
Depreciation of right-of-use assets	41	45
Gain on disposal of property, plant and equipment	(2)	(16)
Interest expense	117	109
Interest income	(41)	(27)
Unrealised exchange differences	165	69
Operating income (loss) before working capital changes	59	(1,844)
Change in working capital:		
Inventories	143	(2,256)
Contract assets, net	(3,896)	(1,647)
Trade and other receivables	3,514	12,557
Trade and other payables	(6,105)	(5,118)
Acquisition of intangible assets	(725)	-
Refund of pledged fixed deposits and bank balances	363	1,708
Cash (used in)/generated from operations	(6,647)	3,400
Income taxes paid	(162)	(109)
Net cash (used in)/generated from operating activities	(6,809)	3,291

D. Condensed interim consolidated statement of cash flows for the Half Year Ended 30 June 2022 (Cont'd)

	Group half year ended	
	Unaudited 30/06/2022 (\$'000)	Unaudited 30/06/2021 (\$'000)
Cash flows from investing activities		
Purchase of property, plant and equipment	(43)	(138)
Proceeds from disposal of property, plant and equipment	13	16
Interest received	41	27
	<hr/>	<hr/>
Net cash generated from (used in) investing activities	11	(95)
Cash flows from financing activities		
Capital injection from non-controlling interests	-	2,020
Proceeds from borrowings	490	-
Repayment of borrowings	(1,836)	(957)
Principal repayment of lease liabilities	(40)	(48)
Interest paid	(117)	(110)
	<hr/>	<hr/>
Net cash (used in)/ generated from financing activities	(1,503)	905
Net (decrease)/ increase in cash and cash equivalents	(8,301)	4,101
Cash and cash equivalents at the beginning of financial period	18,710	12,937
Effect of exchange rate changes on cash and cash equivalents	(53)	(172)
	<hr/>	<hr/>
Cash and cash equivalents at the end of financial period	10,356	16,866
	<hr/>	<hr/>
Represented by:-		
Cash and bank balances as per statements of financial position	15,022	19,915
Less: Fixed deposits pledged	(1,674)	(582)
Less: Bank balances pledged	(1,110)	(1,577)
	<hr/>	<hr/>
	(2,784)	(2,159)
Less: Fixed deposits with tenure more than 3 months	(504)	(73)
Less: Bank overdraft	(1,378)	(817)
	<hr/>	<hr/>
Cash and cash equivalents as per consolidated statement of cash flows	10,356	16,866
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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 2022 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 Harvest @ Woodlands, 280 Woodlands Industrial Park E5, #09-36, Singapore 757322.

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 2022 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 2021.

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 ("S") which is the Company's functional currency, and all values are recorded to nearest thousand (S'000) as indicated.

2.1. New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a results of adopting those standards

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 2021.

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 2022 are approximately \$21,601,000 and \$13,111,000, 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 \$832,000 (31 Dec 2021: \$452,000).

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 2022 amounted to approximately \$458,000 and \$144,000 (31 Dec 2021: \$358,000 and \$422,000) 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 2021, a subsidiary in The People's Republic of China which enjoys a concessionary tax rate of 15% (2021: 15%), had recognised deferred tax assets of approximately \$936,000 (31 Dec 2021: \$ 966,000) 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;
- (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 2022 and 2021 is as follows:

30 June 2022	EE				Total
	Systems	WM Services	Trading	Eliminations	
	\$'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)
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

3. Segment and revenue information (cont'd)

Business segments (Cont'd)

30 June 2021	EE Systems	WM Services	Trading	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	8,737	3,803	4,165	-	16,705
Inter-segment sales	-	-	3	(3)	-
Total	8,737	3,803	4,168	(3)	16,705
Segment profit	809	284	1,533	-	2,626
Other information:					
Additions to property, plant and equipment	(126)	-	(12)	-	(138)
Amortisation of intangible assets	(3)	-	(1)	-	(4)
Depreciation of property, plant and equipment	(126)	(62)	(96)	-	(284)
Depreciation of right-of-use assets	(5)	(24)	(16)	-	(45)
Legal and other professional fees	(22)	(19)	(22)	-	(63)
Interest income	10	7	8	-	25
Finance costs	(66)	(13)	(30)	-	(109)
Gain on disposal of property, plant and equipment	4	6	6	-	16

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 2022	30 June 2021
	\$'000	\$'000
Segment profit from the reportable segments	4,504	2,626
Other income	201	390
Distribution expenses	(359)	(820)
Administrative expenses	(4,711)	(4,398)
Finance costs	(117)	(109)
Loss before income tax	(482)	(2,311)

3. Segment and revenue information (cont'd)

Reconciliation (Con'td)

(ii) Other material information

	30 June 2022	30 June 2021
	\$'000	\$'000
<u>Depreciation of property, plant and equipment</u>		
Segment total	(257)	(284)
Unallocated:		
- Relates to general and corporate assets	-	-
	<u>(257)</u>	<u>(284)</u>
<u>Depreciation of right-of-use assets</u>		
Segment total	(41)	(45)
Unallocated:		
- Relates to general and corporate assets	-	-
	<u>(41)</u>	<u>(45)</u>
<u>Legal and other professional fees</u>		
Segment total	(48)	(63)
Unallocated:		
- Arising from general and corporate activities	(327)	(222)
	<u>(375)</u>	<u>(285)</u>
<u>Interest income</u>		
Segment total	41	25
Unallocated:		
- Arising from general and corporate used bank balances	-	112
	<u>41</u>	<u>137</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			Total
	Contract revenue	Rendering of services	Sale of goods	
	\$'000	\$'000	\$'000	\$'000
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
	23,512	2,574	4,864	30,950
Timing of revenue recognition				
At a point of time	-	-	4,864	4,864
Over time	23,512	2,574	-	26,086
	23,512	2,574	4,864	30,950
30 June 2021				
Geographical markets				
PRC	4,872	-	-	4,872
Malaysia	2,153	3,582	4,028	9,763
Singapore	1,712	181	88	1,981
Vietnam	-	40	49	89
	8,737	3,803	4,165	16,705
Timing of revenue recognition				
At a point of time	-	2,476	4,165	6,641
Over time	8,737	1,327	-	10,064
	8,737	3,803	4,165	16,705

5. Other income

	Group	
	30 June 2022	30 June 2021
	\$'000	\$'000
Gain on disposal of property, plant and equipment	2	16
Gain on foreign exchange, net	28	7
Government grants	87	201
Interest income	41	27
Miscellaneous income	43	139
	<u>201</u>	<u>390</u>

6. Finance costs

	Group	
	30 June 2022	30 June 2021
	\$'000	\$'000
Interest expenses on:		
- borrowings	(92)	(66)
- lease liabilities	(16)	(21)
- other payables	(9)	(22)
	<u>(117)</u>	<u>(109)</u>

7. Loss before income tax

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

	Group	
	30 June 2022	30 June 2021
	\$'000	\$'000
Amortisation of intangible assets	4	4
Auditors' remuneration paid / payable to:		
- auditor of the Company	126	34
Direct material costs included in cost of sales	12,562	12,927
Sub-contractor costs	1,764	613
Depreciation of property, plant and equipment	257	284
Depreciation of right-of-use assets	41	45
Legal and other professional fees	375	285
Leases expenses not included in lease liabilities – short term leases	30	55
Personnel expenses	4,703	4,678
Gain on disposal of property, plant and equipment	(2)	(16)
Research and development fees	422	231
	<u>422</u>	<u>231</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 (credit)/expense for the financial period were:

	Group	
	30 June 2022	30 June 2021
	\$'000	\$'000
Current tax		
- Current period income tax (credit)/expenses	(2)	2

10. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to \$43,000 (30 June 2021: \$138,000).

11. Borrowings

	Group	
	30 June 2022	31 Dec 2021
	\$'000	\$'000
Amount repayable in one year or less, or on demand		
- Secured	2,950	4,016
- Unsecured	-	-
	2,950	4,016
Amount repayable after one year		
- Secured	818	879
	818	879
Total borrowings	3,768	4,895

Details of any collateral

As at 30 June 2022 and 31 December 2021, the secured borrowings are secured by the Group's freehold lands, leasehold lands, and buildings. The Company has also given corporate guarantee for the borrowings.

12. Share capital

	Group and Company			
	30 June 2022		31 December 2021	
	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 2022 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 2022 and 31 December 2021.

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 2022 and 31 December 2021:

(i) Financial instruments by category

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost:				
- Trade receivables	12,686	18,186	-	-
- Other receivables	4,905	4,520	11,217	8,092
- Contract assets	21,601	19,398	-	-
- Cash and bank balances	15,022	23,433	1,020	1,500
	54,214	65,537	12,237	9,592
Financial liabilities at amortised cost	20,709	28,374	1,911	1,988

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).

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial period ended 30 June 2022.

The carrying amounts of financial assets and financial liabilities reported on the reporting date are reasonable approximation of their fair values to their short-term nature.

(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 was loss making and would need to conserve cash for the working capital and investment purpose.

16. Net asset value

	Group		Company	
	Unaudited 30/06/2022 Cents	Audited 31/12/2021 Cents	Unaudited 30/06/2022 Cents	Audited 31/12/2021 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.	39.00	39.55	27.98	28.69
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 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

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

Revenue and Gross profit margin

	Group		
	Full Year Ended		
	Unaudited 30/06/2022 (S\$'000)	Unaudited 30/06/2021 (S\$'000)	Change %
Engineered Environmental Systems ("EE Systems")	23,512	8,737	169.1
Water Management Services ("WM Services")	2,574	3,803	(32.3)
Trading	4,864	4,165	16.8
	<u>30,950</u>	<u>16,705</u>	85.3

Revenue of the Group increased from \$16.7 million in 1H2021 to \$30.9 million in 1H2022.

Revenue from the EE Systems segment increased from \$8.7 million in 1H2021 to \$23.5 million in 1H2022. This was mainly due to the increase of EPC projects secured in China and Malaysia subsidiaries as market activity picked up with the easing of covid movement control measures.

Revenue from the WM Services segment decreased from \$3.8 million in 1H2021 to \$2.6 million in 1H2022 mainly due to strong competition faced by subsidiaries in Malaysia.

Sales from trading of chemicals, spare parts, and other consumables increased from \$4.2 million in 1H2021 to \$4.9 million in 1H2022 mainly due to higher sale of consumables from Malaysia entities compared to 1H2021 as more plants were back to operation.

The Group's overall gross profit increased from \$2.6 million in 1H2021 to \$4.5 million in 1H2022 as activity picked up with the easing of covid movement control measures. Overall gross profit ("GP") margin has decreased from 15.7% in 1H2021 to 14.6% in 1H2022 due to the drop in margin in Malaysia.

Other income

The Group's other income decreased from \$0.4 million in 1H2021 to \$0.2 million in 1H2022. This was mainly due to the decrease in covid related government grant from \$0.1 million in 1H2021 to Nil in 1H2022.

Operating expenses

The Group's distribution expenses, which is mainly attributed to our subsidiary in China, decreased from \$0.8 million in 1H2021 to \$0.4 million in 1H2022 mainly due to decrease in travelling costs during the current reporting period as China has entered a period of frequent and localised lockdowns in cities in first half of 2022.

Administrative expenses comprising of staff salary, professional fees, depreciation, and other operating expenses slightly increased from \$4.4 million in 1H2021 to \$4.7 million in 1H2022. The China subsidiary has increased its research and development fees from \$0.2 million in 1H2021 to \$0.4 million in 1H2022 as business activities picked up.

Income tax expense

The decrease in tax provision in the present year was mainly due to reversal of overprovision of tax in prior year. No provision for income tax as operating loss generated by the Group in 1H2022.

(b) *Statements of financial position*

Current assets

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

	As at 30 June 2022 (Unaudited) \$'000	As at 31 December 2021 (Audited) \$'000
Trade receivables and contract assets		
- Trade receivables	12,686	18,186
- Contract assets	21,601	19,398
	34,287	37,584
Other receivables, deposits and prepayments	8,395	7,030
Trade and other receivables	42,682	44,614
Inventories	4,398	4,541
Income tax recoverable	458	358
Cash and bank balances	15,022	23,433
Total	62,560	72,946

Trade and other receivables

Trade receivables and contract assets decreased from \$37.6 million to \$34.3 million during the period, mainly due to better collections from projects in China. Other receivables increased from \$7.0 million as at 31 December 2021 to \$8.4 million as at 30 June 2022 mainly due to increase in advances to suppliers.

Inventories

No significant fluctuation in inventories compared to 31 December 2021.

Non-current assets

Property, plant and equipment

The decrease in property, plant and equipment is mainly due to depreciation charges.

Right-of-use assets

The Group's 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

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
	S\$'000	S\$'000
Intangible assets		
- Goodwill on acquisition	905	905
- Construction of concession asset	2,101	1,386
- Land use rights	421	421
- Software	1	1
	3,428	2,713

Construction of concession asset refers to the concession project to supply drinking water in Ben Tre Province of Vietnam ("Ba Lai Project") where technical studies and development started in Year 2018 and then construction commenced in January 2021. Construction work for Ba Lai Project is on-going and we expect to achieve commercial operation by the end of Year 2022.

Current liabilities

Trade and other payables

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

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
	\$'000	\$'000
Trade payables	14,373	20,010
Contract liabilities	13,111	14,746
Other payables and accruals	2,290	3,162
Total	29,774	37,918

The decrease in trade payables was mainly due to the reduction in outstanding trade payables of a subsidiary in China, from \$17.7 million to \$12.0 million during the period as a result of repayment of the outstanding trade payables.

Contract liabilities decreased mainly due to lower advance billings for projects in China.

The decrease in other payables and accruals is mainly due to lower operating expenses accrued including staff costs and decrease in performance guarantees received from suppliers.

Borrowings

Total borrowings decreased from \$4.9 million as at 31 December 2021 to \$3.8 million as at 30 June 2022. The net decrease is mainly due to repayment of borrowings and bank overdraft amounting to \$1.3 million.

(c) Statement of cash flows

	As at 30 June 2022 (Unaudited) S\$'000	As at 30 June 2021 (Unaudited) S\$'000
Net cash (used in)/generated from operating activities	(6,809)	3,291
Cash flows generated from/(used in) investing activities	11	(95)
Cash flows (used in)/generated from financing activities	(1,503)	905
Net (decrease)/ increase in cash and cash equivalents	(8,301)	4,101

The Group's cash position was \$15.0 million as at 30 June 2022, as compared to \$23.4 million as at 31 December 2021.

Net cash used in operating activities in 1H2022 was \$6.8 million mainly due to repayment of trade and other payables of \$6.1 million as well as cash outflow to fund construction projects of \$0.7 million in Vietnam.

Cash generated from investing activities in 1H2022 is from interest received and the disposal of property, plant and equipment offset by acquisition of property, plant and equipment.

Cash used in financing activities in 1H2022 of \$1.5 million was mainly due to repayment of 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 FY2021 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

Although there are encouraging signs of market recovery as Covid-19 movement control measures were eased in Singapore, Malaysia, and Vietnam; intense market competition, inflationary pressures and competition in recruiting and retaining manpower in a tight labour market are challenges faced by the Group. In China, the unpredictability of localized Covid-19 movement control measures posed an additional challenge. In such a business environment the Group's margins are expected to be under pressure over the next operating period and in the next twelve months. As for the Group's build-operate-own (BOO) drinking water project in Balai, Vietnam, construction activity is progressing, and the project is expected to be in commercial operation by end 2022.

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 1H2022.

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

6. 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:

	Engineering contracts and business expansion	Funding new projects, investments in environmental relation infrastructure projects and other investments	Working Capital	Total Funds received/ used
	\$'000	\$'000	\$'000	\$'000
<u>Funds received</u>				
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)
	5,338,500	14,512,500	881,000	20,732,000
<u>Funds used</u>				
Infrastructure projects	-	(8,882,709)	-	(8,882,709)
Engineering, Procurement and Construction ("EPC") business expansion and funding of new projects in China and Malaysia	(4,338,500)	(1,165,264)	-	(5,503,764)
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	(5,338,500)	(14,047,973)	(881,000)	(20,267,473)
Net Balances	-	464,527	-	464,527

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

7. 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.

8. 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.

9. 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 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Kong Chee Keong
Executive Director and CEO

Zhao Yong Chang
Executive Director

BY ORDER OF THE BOARD

Kong Chee Keong
Executive Director and CEO
12 August 2022