

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

Unaudited Financial Statements For the Full Year Ended 31 December 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.

	Full year ended 31 December		change %
	Unaudited 2019 (S\$'000)	Audited 2018 (S\$'000)	
Revenue	75,940	83,832	-9.4
Cost of sales	(66,093)	(69,874)	-5.4
Gross profit	9,847	13,958	-29.5
Other income	464	679	-31.7
Distribution expenses	(1,743)	(2,147)	-18.8
Administrative expenses	(12,434)	(13,117)	-5.2
Loss on financial assets	(2,462)	(506)	386.6
Finance costs	(545)	(585)	-6.8
Loss before income tax	(6,873)	(1,718)	300.1
Income tax expense	(96)	(92)	4.3
Loss for the financial year, net of tax	(6,969)	(1,810)	285.0
Loss attributable to:			
Equity holders of the Company	(6,517)	(1,441)	352.3
Non-controlling interests	(452)	(369)	22.5
	(6,969)	(1,810)	285.0

Note: n.m- Not Meaningful

1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FULL YEAR ENDED 31 DECEMBER 2019.

	Full year ended 31 December		change %
	Unaudited 2019 (S\$'000)	Audited 2018 (S\$'000)	
Loss for the financial year, net of tax	(6,969)	(1,810)	285.0
Other comprehensive loss:			
<u>Items that may be reclassified to profit and loss subsequently</u>			
Currency translation differences arising from consolidation	(678)	(812)	-16.5
Other comprehensive loss for the financial year	(678)	(812)	-16.5
Total comprehensive loss for the financial year	(7,647)	(2,622)	191.6
Total comprehensive loss attributable to:			
Equity holders of the Company	(6,853)	(2,101)	226.2
Non-controlling interests	(794)	(521)	52.4
	(7,647)	(2,622)	191.6

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		change %
	Unaudited 31/12/2019 (S\$'000)	Audited 31/12/2018 (S\$'000)	
Interest income	221	90	145.6
Government grants	172	389	-55.8
Gain on disposal of property, plant and equipment	-	3	-100.0
Reversal of payables	-	128	-100.0
Gain on foreign exchange, net	-	35	-100.0
Miscellaneous income	71	34	108.8
	464	679	-31.7

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		change %
	Financial Year Ended		
	Unaudited 31/12/2019 (S\$'000)	Audited 31/12/2018 (S\$'000)	
Interest expense on:-			
Amount owing to a related party	15	22	-31.8
Amount due to directors of the Company	30	230	-87.0
Borrowings	432	252	71.4
Finance lease liabilities	7	4	75.0
Trust receipts	48	77	-37.7
Accretion of interest on lease liabilities	13	-	n.m
	<u>545</u>	<u>585</u>	-6.8

Included in the Loss before income tax are:

	Group		change %
	Financial Year Ended		
	Unaudited 31/12/2019 (S\$'000)	Audited 31/12/2018 (S\$'000)	
Impairment loss on financial assets, net	2,462	506	265.4
Amortisation of intangible assets	1,669	1,752	-4.7
Depreciation of property, plant and equipment	688	754	8.8
Depreciation of right-of-use assets	294	-	n.m
Property, plant and equipment written off	27	6	350.0
Inventories written off	-	148	-100.0
Rental expense for operating leases	126	556	-75.3
Personnel expenses	10,850	11,293	-3.9
Legal and professional fees	593	1,072	-44.7
Loss on foreign exchange, net	179	260	-31.2
Loss/(Gain) on disposal of property, plant and equipment	8	(3)	-166.7
Research and development fees	1,393	1,409	-1.1

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
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant equipment	7,915	5,176	-	-
Right-of-use assets	688	-	-	-
Intangible assets	6,528	5,666	-	-
Investment in subsidiaries	-	-	19,440	14,645
Deferred tax assets	99	114	-	-
Other receivables	-	613	-	-
	<u>15,230</u>	<u>11,569</u>	<u>19,440</u>	<u>14,645</u>
Current assets				
Inventories	6,223	2,997	-	-
Trade and other receivables	42,982	68,971	17,538	15,060
Income tax recoverable	602	365	-	-
Cash and bank balances	27,531	27,925	6,341	13,577
	<u>77,338</u>	<u>100,258</u>	<u>23,879</u>	<u>28,637</u>
Total assets	<u>92,568</u>	<u>111,827</u>	<u>43,319</u>	<u>43,282</u>
LIABILITIES				
Current liabilities				
Trade and other payables	31,709	47,443	3,116	1,985
Borrowings	9,971	8,284	4,000	4,000
Lease liabilities	551	-	-	-
Income tax payable	494	450	-	-
	<u>42,725</u>	<u>56,177</u>	<u>7,116</u>	<u>5,985</u>
Non-current liabilities				
Other payables	-	-	-	-
Borrowings	1,758	917	-	-
Lease liabilities	143	-	-	-
Deferred tax liabilities	437	581	-	-
	<u>2,338</u>	<u>1,498</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>45,063</u>	<u>57,675</u>	<u>7,116</u>	<u>5,985</u>
Net assets	<u>47,505</u>	<u>54,152</u>	<u>36,203</u>	<u>37,297</u>

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
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	76,766	76,766	76,766	76,766
Other reserves	(3,597)	(3,261)	-	-
Accumulated losses	(30,938)	(24,658)	(40,563)	(39,469)
	42,231	48,847	36,203	37,297
Non-controlling interests	5,274	5,305	-	-
Total equity	47,505	54,152	36,203	37,297

(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 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,622	5,900	3,738	4,546

Amount repayable after one year

As at 31 Dec 2019		As at 31 Dec 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,758	143	917	-

Details of any collateral

As at 31 December 2019 and 31 December 2018, the secured borrowings are secured by corporate guarantees by the Company and freehold lands, freehold buildings and leasehold lands and building 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	Full year ended 31 December	
		Unaudited 2019 (S\$'000)	Audited 2018 (S\$'000)
Cash flows from operating activities			
Loss before income tax		(6,873)	(1,718)
Adjustments for:			
Amortisation of intangible assets		1,669	1,752
Depreciation of property, plant and equipment		688	754
Depreciation of right-of-use assets		294	-
Loss/(Gain) on disposal of property, plant and equipment		3	(3)
Property, plant and equipment written off		8	6
Inventories written off		-	148
Impairment loss on trade and other receivables		2,462	506
Reversal of payables		-	(128)
Interest expense		545	585
Interest income		(221)	(90)
Unrealised exchange differences		12	25
		<hr/>	<hr/>
Operating (loss)/profit before working capital changes		(1,413)	1,837
Change in working capital:			
Inventories		(3,226)	(1,089)
Contract assets/(liabilities)		29,183	(4,597)
Trade and other receivables		(4,286)	(3,900)
Trade and other payables		(18,668)	3,778
Addition/(Refund) of pledged fixed deposits and bank balances		867	(2,009)
		<hr/>	<hr/>
Cash generated from/(used in) operations		2,457	(5,980)
Income taxes paid		(418)	(946)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		2,039	(6,926)
		<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 2019 (\$'000)	Audited 2018 (\$'000)
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(1,312)	(454)
Proceeds from disposal of property, plant and equipment		11	3
Disposal of a subsidiary, net of cash disposed		1,000	-
Acquisition of a subsidiary, net of cash acquired		(1,913)	-
Interest received		221	90
Net cash used in investing activities		(1,993)	(361)
Cash flows from financing activities			
Proceeds from issuance of new shares, by way of cash		-	16,148
Share issuance cost		-	(260)
Proceeds from borrowings		3,432	3,581
Repayment of borrowings		(2,455)	(4,285)
Repayment of finance lease liabilities		(58)	(43)
Repayment of lease liabilities		(294)	-
Interest paid		(545)	(375)
Net cash from financing activities		80	14,766
Net increase in cash and cash equivalents		126	7,479
Cash and cash equivalents at beginning of financial year		22,673	15,379
Effect of exchange rate changes on cash and cash equivalents		(225)	(185)
Cash and cash equivalents at end of financial year		22,574	22,673

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:

	2019 \$'000	2018 \$'000
Property, plant and equipment purchased during the financial year	2,390	551
Less:		
Term Loan drawdown for purchase of land	(1,010)	-
Finance lease liabilities	(68)	(97)
Cash payment to acquire property, plant and equipment	1,312	454

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.

	Full year ended 31 Dec	
	Unaudited 2019 (S\$'000)	Audited 2018 (S\$'000)
Cash and cash equivalents comprise the following:-		
Bank and cash balances as per statements of financial position	27,531	27,925
Bank balances pledged	(2,747)	(3,564)
Fixed deposits pledged	-	(50)
Bank overdraft	(2,210)	(1,638)
Cash and cash equivalent as per consolidated cash flows	22,574	22,673

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.

	<u>Attributable to equity holders of the Company</u>				Non- controlling interests	Total
	Share Capital	Other reserves	Accumulated losses	Total		
	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Balance as at 1.1.2019	76,766	(3,261)	(24,658)	48,847	5,305	54,152
Loss for the financial year	-	-	(6,517)	(6,517)	(452)	(6,969)
Other comprehensive loss						
- Currency translation differences arising from consolidation	-	(336)	-	(336)	(342)	(678)
Total comprehensive loss for the financial year	-	(336)	(6,517)	(6,853)	(794)	(7,647)
<u>Change in ownership interests in subsidiaries</u>						
Reduce of equity interest in a subsidiary	-	-	237	237	763	1,000
Total change in ownership interests in subsidiaries	-	-	237	237	763	1,000
Balance as at 31.12.2019	76,766	(3,597)	(30,938)	42,231	5,274	47,505

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)

	<u>Attributable to equity holders of the Company</u>			Total (S\$'000)	Non-controlling interests (S\$'000)	Total (S\$'000)
	Share Capital (S\$'000)	Other reserves (S\$'000)	Accumulated losses (S\$'000)			
Balance as at 1.1.2018 as restated	54,274	(3,312)	(23,109)	27,853	8,189	36,042
Loss for the financial year	-	-	(1,441)	(1,441)	(369)	(1,810)
Other comprehensive income/(loss) for the financial year, net of tax						
- Currency translation differences arising from consolidation	-	(660)	-	(660)	(152)	(812)
Total comprehensive loss for the financial year	-	(660)	(1,441)	(2,101)	(521)	(2,622)
<u>Contribution by and distribution to owners</u>						
Issuances of shares, net	22,492	-	-	22,492	-	22,492
Transfer to statutory reserve	-	108	(108)	-	-	-
Total contributions by and distribution to owners	22,492	108	(108)	22,492	-	22,492
<u>Change in ownership interests in subsidiaries</u>						
Acquisition of non-controlling interest without a change in subsidiary	-	603	-	603	(2,363)	(1,760)
Balance as at 31.12.2018	76,766	(3,261)	(24,658)	48,847	5,305	54,152

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

Company	Share Capital (S\$'000)	Accumulated Losses (S\$'000)	Total (S\$'000)
Balance at 1.1.2019	76,766	(39,469)	37,297
Total comprehensive loss for the financial year	-	(1,094)	(1,094)
Balance at 31.12.2019	76,766	(40,563)	36,203

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

Company	Share Capital (S\$'000)	Accumulated Losses (S\$'000)	Total (S\$'000)
Balance at 1.1.2018 as restated	54,274	(38,358)	15,916
Total comprehensive loss for the financial year	-	(1,111)	(1,111)
Contribution by owners			
- Issuance of shares	22,492	-	22,492
Balance at 31.12.2018	76,766	(39,469)	37,297

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 is no changes in the Company's share capital.

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

	Company	
	As at 31/12/2019	As at 31/12/2018
Number of ordinary shares	93,831,492	93,831,492

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

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

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 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 all the applicable new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and SFRS(I) Interpretations ("SFRS(I) INT") which became effective for the accounting periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 Leases, the adoption of the other new and revised SFRS(I) and SFRS(I) INT are currently assessed to have no material financial impact on the Group's financial statements for the current financial period reported on.

Adoption of SFRS(I) 16 Leases

SFRS(I) 16 Leases introduces a single, on-balance sheet lease accounting model for lessees where the distinction between operating and finance leases is removed. It requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, where comparative amounts for the year prior to first adoption will not be restated.

The Group applied the practical expedient to recognise amounts of ROU assets equal to its lease liabilities on 1 January 2019 and recognition exemptions for short-term leases and leases of low value items in accordance with SFRS(I) 16. Subsequent to initial recognition, ROU assets are carried at cost less accumulated depreciation and any accumulated impairment losses while the carrying amount of lease liabilities will take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in the Group: (i) recognising ROU assets, and lease liabilities of S\$0.7 million and S\$0.7 million respectively for its leases previously classified as operating leases.

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 31/12/2019 \$'000	Audited 31/12/2018 \$'000
Earnings per ordinary shares of the group for the current year reported on and the corresponding period of the immediate preceding financial year:-		
Net loss attributable to equity holders of the Company (\$'000)	(6,517)	(1,441)
Weighted average number of ordinary shares outstanding for basic earnings per share - adjusted	93,831,492	86,071,899
Basic and diluted loss per share (Cents)	(6.95)	(1.67)

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 31 December 2018 and 31 December 2019.

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 31/12/2019 Cents	Audited 31/12/2018 Cents	Unaudited 31/12/2019 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 year.	50.63	57.71	38.58	39.75
Number of ordinary shares	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

	Group		Change
	Full Year Ended		
	Unaudited	Audited	
	31/12/2019	31/12/2018	%
	(\$'000)	(\$'000)	
Engineered Environmental Systems ("EE Systems")	54,417	63,723	-14.6
Water Management Services ("WM Services")	8,391	8,384	-0.1
Trading	13,132	11,725	12.0
	<u>75,940</u>	<u>83,832</u>	-9.4

Revenue of the Group decreased from \$83.8 million in FY2018 to \$75.9 million in FY2019.

Revenue from EE Systems segment decreased from \$63.7 million in FY2018 to \$54.4 million in FY2019 mainly due to lower contribution from the Engineering, Procurement, and Construction ("EPC") projects in China and Malaysia.

Revenue from WM Services segment remain stable at \$8.3million in FY2019.

Sales from trading of chemical, spare parts and others increased from \$11.7 million in FY2018 to \$13.1 million in FY2019 mainly due to higher trading volume of parts and chemical in Malaysia to our water treatment customers in Malaysia.

The Group's overall gross profit reduced from \$14.0 million in FY2018 to \$9.8 million in FY2019. The Group's overall gross profit ("GP") margin has decreased from 16.6% in FY2018 to 13.0 % in FY2019. Due to the stiff competition in the China market, the Group has had to lower its profit margin when tendering and securing the larger contracts in China. The average project margin in China for EPC project is ranging from 10% to 13%. As China is one of our major market segments, the lower margin for China projects has significantly reduced the overall Group profit margin for the year.

Other income

The Group's other income has decrease from \$0.7 million in FY2018 to \$0.5 million in FY2019. This is mainly due to the decreased in government grant income from \$0.4 million in FY2018 to \$0.2 million in FY2019.

Operating expenses

The group's marketing and distribution expenses decreased from \$2.1 million in FY2018 to \$1.7 million in FY2019 mainly due to lower marketing cost incurred in China. The decrease in sales and marketing expenses is in line with the reduction in the Group revenue.

Administrative expenses which comprise of staff salary, professional fees, depreciation and other operating expenses, decreased from \$13.1 million in FY2018 to \$12.4 million in FY2019, mainly due to the decrease in legal and professional fees. There is higher set up costs and professional fees spend in FY2018 for the development of projects in Vietnam.

Impairment loss on financial assets are mainly the one off impairment for trade receivables and contract assets in China amounting to \$1.8 million and other receivables in Taiwan amounting to \$0.6 million.

Finance expenses

Finance costs decreased slightly from \$0.6 million in FY2018 to \$0.5 million in FY2019. This is mainly due to lower utilisation of trade line facilities from the bank, as a result of lower sales during the year.

Income tax expense

There is no significant fluctuation in the income tax expenses.

Balance sheet

Current assets

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

	As at 31 December 2019 (Unaudited) \$'000	As at 31 December 2018 (Audited) \$'000
Trade receivables	20,033	19,191
Contract assets	6,681	36,678
Other receivables, deposits and prepayments	16,268	13,102
Trade and other receivables	42,982	68,971
Inventories	6,223	2,997
Income tax recoverable	602	365
Cash and bank balances	27,531	27,925
Total	77,338	100,258

Trade and other receivables

Trade receivables increased from \$19.2 million in FY2018 to \$20.0 million in FY2019, mainly due to higher trade receivables in China. The outstanding receivables in China has increased from \$8.6 million in FY2018 to \$9.5 million in FY2019.

Contract assets decreased mainly due to the lower unbilled work done for China projects. Contract assets relating to China projects has decreased from \$33.0 million as at 31 December 2018 to \$2.6 million as at 31 December 2019.

The increase in other receivables, deposits and prepayment was mainly due to:-

1. Increase in advance payment to suppliers from \$4.8mil as at 31 December 2018 to \$8.9mil in 31 December 2019, and
2. Decrease in the VAT receivables from \$3.0 million in 31 December 2018 to \$0.7 million in 31 December 2019.

Inventories

There is an increase in inventories from \$3.0 million in FY2018 to \$6.2 million in FY2019, mainly due to the stock in transit for our subsidiary in China amounting to \$4.4million.

Non-current assets

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

Property, plant and equipment

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

1. purchase of land in Malaysia amounting to \$1.3 million;
2. purchase of plant in Vietnam amounting to \$0.5 million; and
3. increase in construction work in progress via the acquisition of PT Panghegar Energy Indonesia amounting to \$1.1 million

Rights-of-use assets

Due to the adoption of SFRS(I) 16 Leases, the Company has recognised the rights-of-use assets amounting to \$0.6 million as at 31 December 2019.

Intangible assets

	FY2019	FY2018
	S\$'000	S\$'000
Intangible assets		
- Goodwill on acquisition	3,521	905
- Patented technologies and license	1,880*	2,618
- Trade name and trade marks	1,117*	2,119
- Software	10*	24
	6,528	5,666

The increase in intangible assets is mainly due to the recognition of intangible asset amounting to \$2.6 million for the acquisition of PT Panghegar Energy Indonesia ("PEI"). For further details, please refer to announcement dated 4 November 2019.

This increase is partially offset by the amortisation of patented technologies and license, trade name and trade marks and software over its useful life, amounting to \$1.7 million in our China subsidiary.

* This pertained to intangible assets that was identified from the purchase price allocation during the acquisition of Wuhan Kaidi Water Services Co., Ltd in FY2016. The Company has engaged professional firm in assisting us to perform the impairment testing for these intangible assets. Due to the recent outbreak of coronavirus disease, the impairment testing is not yet complete as of the date of this announcement.

Current liabilities

Trade and other payables

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

	As at 31 December 2019 (Unaudited)	As at 31 December 2018 (Audited)
	\$'000	\$'000
Trade payables	20,618	30,386
Other payables and accruals	6,957	2,703
Contract liabilities	4,134	14,354
Total	31,709	47,443

The decrease in trade payables from \$30.4 million in FY2018 to \$20.6 million in FY2019 is mainly due to lesser purchases made towards the end of the financial year, which remained unpaid as at 31 December 2019, in our China and Malaysia subsidiaries. This is in line with the drop in the Group revenue, where lesser purchases were made.

The increase in other payables and accruals is mainly due to the recognition of payables and accruals resulting from the newly acquired entity, PEI, amounting to \$2.9 million as at 31 December 2019. \$2.2mil is the shareholder loan from the seller of PEI.

Included in other payables is an amount of \$0.3mil for the final instalment payment of the acquisition of PEI.

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

Borrowings

Total borrowings increased from \$9.2 million as at 31 December 2018 to \$10.6 million as at 31 December 2019. The net increase is mainly due to additional loan drawdown for the purchase of land in Malaysia and higher utilisation of bank overdraft during the financial year.

Cash flow statement for the year ended

	Unaudited 31 Dec 2019 S\$'000	Audited 31 Dec 2018 S\$'000
Cash flows from/(used in) operating activities	2,039	(6,926)
Cash flows used in investing activities	(1,993)	(361)
Cash flows from financing activities	80	14,766
Net increase in cash and cash equivalents	<u>126</u>	<u>7,479</u>

The group cash position was \$27.5 million as at 31 December 2019, compared to \$27.9 million as at 31 December 2018, \$21.2 million are maintained at subsidiaries for their working capital to run daily operations and support on-going projects.

Cash generated from operating activities in FY2019 of \$2.0 million was mainly due to the reduction in contract assets, where the unbilled receivables in the prior year has been billed and collected during the year.

Cash used in investing activities in FY2019 of \$2.0 million was mainly used for the acquisition of a subsidiary, PT Panghegar Energy Indonesia ("PEI") during the year 2019.

Cash generated from financing activities in FY2019 of \$0.08 million was mainly due to the higher utilisation of bank trade line facilities towards the end of the financial year.

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.

In the Group's subsidiaries in Malaysia, business in the EE Systems, WM Services and Trading segments look to remain stable and is likely to contribute to the Group's overall financial position.

The Group's subsidiary in China, which typically contributes about 50% of the revenue, would likely be adversely affected by the outbreak of coronavirus disease. The subsidiary is based in Wuhan, which was identified as the epicentre of the outbreak, and the city has been under lock down from 23 January 2020 to date.

Another of the Group's subsidiary in Singapore that may experience some effects from the coronavirus outbreak is PV Vacuum, as the subsidiary relies heavily on procurement of materials for installation from China. There will likely be delays in logistics, and therefore, implementation of PV Vacuum's projects within the year.

On the investment front, the Group is currently conducting due diligence on the Nambo Project following the acquisition of PEI in Indonesia. Should the results be positive, and subject to the project being approved for investment in an EGM, the Group expects to commence construction of the infrastructure within the next 12 months.

The Group will continue its efforts to diversify its revenue and procurement sources so as to stay resilient in the face of unexpected challenges.

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 FY2019 in view that the Company was loss making.

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:

	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
Funds received				
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
Funds used				
Infrastructure projects	-	(6,780,709)	-	(6,780,709)
Engineering, Procurement and Construction ("EPC") business expansion in China and Malaysia	(1,503,784)	-	-	(1,503,784)
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			(442,000)	(442,000)
- Professional fees			(18,000)	(18,000)
Total	(2,503,784)	(10,780,709)	(460,000)	(13,744,493)
Net Balances	2,834,716	3,731,791	421,000	6,987,507

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 2019 is as follows:

2019

	EE Systems \$'000	WM Services \$'000	Trading \$'000	Eliminations \$'000	Total \$'000
Revenue					
Sales to external customers	54,417	8,391	13,132	-	75,940
Inter-segment sales	-	-	-	-	-
Total	54,417	8,391	13,132	-	75,940
Segment profit	4,742	2,262	2,843	-	9,847
Other information:					
Additions to property, plant and equipment	619	12	116	-	747
Impairment loss on financial assets	1,849	-	-	-	1,849
Amortisation of intangible assets	1,669	-	-	-	1,669
Depreciation of property, plant and equipment	168	49	91	-	308
Finance costs	442	1	7	-	450
Interest income	46	11	16	-	73
Loss on disposal of property, plant and equipment	8	-	-	-	8
Legal & Professional Fees	121	9	24	-	154
Assets					
Segment assets	57,714	3,658	15,766	-	77,138
Liabilities					
Segment liabilities	28,853	1,305	4,324	-	34,482

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 2018 is as follows:

2018

	EE Systems \$'000	WM Services \$'000	Trading \$'000	Eliminations \$'000	Total \$'000
Revenue					
Sales to external customers	63,723	8,384	11,725	-	83,832
Inter-segment sales	185	-	346	(531)	-
Total	63,908	8,384	12,071	(531)	83,832
Segment profit	9,348	2,932	2,557	(879)	13,958
Other information:					
Additions to property, plant and equipment	338	3	151	-	492
Provision / (Write-back) of impairment loss on financial assets, net	559	(6)	(47)	-	506
Amortisation of intangible assets	1,752	-	-	-	1,752
Depreciation of property, plant and equipment	189	55	72	-	316
Finance costs	496	38	31	-	565
Interest Income	17	19	7	-	43
Loss/(Gain) on disposal of property, plant and equipment	(1)	5	(1)	-	3
Legal and other professional fees	122	154	21	-	297
Assets					
Segment assets	77,396	3,663	5,670	-	86,729
Liabilities					
Segment liabilities	45,483	2,168	2,652	-	50,303

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Geographical</u>				
Malaysia	31,011	31,079	4,229	2,336
The People's Republic of China	28,826	43,998	5,330	7,390
Taiwan	742	718	93	93
Singapore	15,069	7,865	1,244	1,033
Indonesia	-	-	3,749	-
Other countries	292	172	486	1
	<u>75,940</u>	<u>83,832</u>	<u>15,131</u>	<u>10,842</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

	2019 S\$'000	2018 S\$'000
Sales reported for the first half of the year	30,341	28,274
Profit/(loss) after tax before non-controlling interest reported for the first half year	<u>(297)</u>	<u>117</u>
Sales reported for the second half of the year	45,599	55,558
(Loss)/profit after tax before non-controlling interest reported for the second half year	<u>(6,672)</u>	<u>(1,927)</u>

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 2019 and 2018.

- 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 FY2019.

- 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 there is no person 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
 28 February 2020