BETTER 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 2026

A. Condensed interim consolidated statement of profit or loss and other comprehensive income for the Six Months Ended 30 June 2026

	Note	Group Six Months Ended Unaudited 30-Jun-26 $'000	Unaudited 30-Jun-25 $'000	Change %
Revenue	4	20,097	23,024	(12.7)
Cost of sales		(17,984)	(20,464)	(12.1)
Gross Profit		**2,113**	**2,560**	**(17.5)**
Other income	5	3,609	675	434.7
Distribution expenses		(285)	(191)	49.2
Administrative expenses		(4,309)	(4,658)	(7.5)
Finance costs	6	(502)	(638)	(21.3)
Reversal of provision for impairment loss on financial assets		927	145	539.3
Profit / (Loss) before income tax	7	**1,553**	**(2,107)**	**n.m**
Income tax expense	9	-	(23)	n.m
Profit / (Loss) for the financial period, net of tax		**1,553**	**(2,130)**	**n.m**
Profit / (Loss) attributable to:				
Equity holders of the Company		1,170	(1,550)	n.m
Non-controlling interests		383	(580)	n.m
		1,553	**(2,130)**	**n.m**
Other comprehensive income / (loss):				
Items that may be reclassified to profit and loss subsequently				
Currency translation differences arising from consolidation		174	(1,113)	n.m
Other comprehensive income / (loss) for the financial period		174	(1,113)	n.m
Total comprehensive income / (loss) for the financial period		**1,727**	**(3,243)**	**n.m**
Total comprehensive income / (loss) attributable to:				
Equity holders of the Company		1,308	(2,148)	n.m
Non-controlling interests		419	(1,095)	n.m
		1,727	**(3,243)**	**n.m**
Earnings per share for profit / (loss) for the period attributable to the owners of the Company during the period:				
Basic (Singapore cents)		1.25	(1.65)	
Diluted (Singapore cents)		1.25	(1.65)	

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary securities in issue as at 30 June 2026 and 30 June 2025.

Note: n.m - not meaningful

B. Condensed interim statements of financial position as at 30 June 2026

	Note	Group		Company	
		Unaudited 30/06/2026	Audited 31/12/2025	Unaudited 30/06/2026	Audited 31/12/2025
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	2,974	3,099	43	45
Right-of-use assets		515	755	81	114
Intangible assets	11	13,652	13,532	-	-
Investment in subsidiaries		-	-	18,288	16,484
Deferred tax assets		852	822	-	-
		17,993	18,208	18,412	16,643
Current assets					
Asset held for sale	10	-	1,251	-	-
Inventories		1,812	2,101	-	-
Trade and other receivables	12	43,813	49,116	3,910	4,914
Income tax recoverable		440	209	-	-
Cash and bank balances		5,808	9,803	30	773
Total current assets		51,873	62,480	3,940	5,687
Total assets		69,866	80,688	22,352	22,330
LIABILITIES					
Current liabilities					
Trade and other payables	13	32,967	41,929	2,021	4,419
Borrowings	14	6,977	7,023	-	-
Lease liabilities		285	510	67	66
Other financial liabilities	15	1,379	3,307	-	-
Income tax payable		13	13	-	-
Total current liabilities		41,621	52,782	2,088	4,485
Non-current liabilities					
Other payables	13	1,193	3,862	-	-
Other financial liabilities	15	1,336	-	-	-
Lease liabilities		173	228	17	51
Deferred tax liabilities		22	22	-	-
Total non-current liabilities		2,724	4,112	17	51
Total liabilities		44,345	56,894	2,105	4,536
Net assets		25,521	23,794	20,247	17,794

** Amount less than $1,000.*

B. Condensed interim statements of financial position as at 30 June 2026 (Cont'd)

		Group		Company	
		Unaudited	Audited	Unaudited	Audited
	Note	30/06/2026	31/12/2025	30/06/2026	31/12/2025
		$'000	$'000	$'000	$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	76,766	76,766	76,766	76,766
Other reserves		(5,416)	(5,020)	-	-
Accumulated losses		(46,170)	(47,340)	(56,519)	(58,972)
		25,180	24,406	20,247	17,794
Non-controlling interests		341	(612)	-	-
Total equity		25,521	23,794	20,247	17,794

C. Condensed interim statements of changes in equity for the Six Months Ended 30 June 2026

Group	Share capital $'000	Other reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total $'000
	Attributable to equity holders of the Company					
Balance as at 1.1.2026	76,766	(5,020)	(47,340)	24,406	(612)	23,794
Contribution by and distribution to owners						
Settlement of obligation arising from acquisition of a subsidiary (Note 15)	-	(534)	-	(534)	534	-
Profit for financial period	-	-	1,170	1,170	383	1,553
Other comprehensive income for the financial period, net of tax						
- Currency translation differences arising from consolidation	-	138	-	138	36	174
Total comprehensive income for the financial period	-	138	1,170	1,308	419	1,727
Balance as at 30.06.2026	**76,766**	**(5,416)**	**(46,170)**	**25,180**	**341**	**25,521**

Group	Share Capital $'000	Other reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total $'000
	Attributable to equity holders of the Company					
Balance as at 1.1.2025	76,766	(4,895)	(42,487)	29,384	865	30,249
Loss for financial period	-	-	(1,550)	(1,550)	(580)	(2,130)
Other comprehensive loss for the financial period, net of tax						
- Currency translation differences arising from consolidation	-	(598)	-	(598)	(515)	(1,113)
Total comprehensive loss for the financial period	-	(598)	(1,550)	(2,148)	(1095)	(3,243)
Balance as at 30.06.2025	**76,766**	**(5,493)**	**(44,037)**	**27,236**	**(230)**	**27,006**

C. Condensed interim statements of changes in equity for the Six Months Ended 30 June 2026 (Cont'd)

Company	Share Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1.1.2026	76,766	(58,972)	17,794
Total comprehensive income for the financial period	-	2,453	2,453
Balance at 30.06.2026	**76,766**	**(56,519)**	**20,247**

Company	Share Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1.1.2025	76,766	(54,724)	22,042
Total comprehensive loss for the financial period	-	(296)	(296)
Balance at 30.06.2025	**76,766**	**(55,020)**	**21,746**

D. Condensed interim consolidated statement of cash flows for the Six Months Ended 30 June 2026

	Group Six Months Ended	
	Unaudited	**Unaudited**
	30/06/2026	**30/06/2025**
	$'000	**$'000**
Cash flows from operating activities		
Profit / (Loss) before income tax	1,553	(2,107)
Adjustments for:		
Amortisation of intangible assets	152	152
Depreciation of property, plant and equipment	252	242
Depreciation of right-of-use assets	253	253
Gain on disposal of property, plant and equipment	(143)	(217)
Write off of property, plant and equipment	-	387
Provision of unutilised leave	(1)	-
Reversal of provision for impairment loss on financial assets	(927)	(145)
Finance costs	502	638
Grant income arising from conversion of VGF Grant	(1,566)	-
Gain on modification of other financial liabilities	(1,814)	-
Interest income	(12)	(24)
Unrealised exchange differences	(90)	(85)
Operating loss before working capital changes	(1,841)	(906)
Change in working capital:		
Inventories	315	231
Trade and other receivables	6,872	1,361
Trade and other payables	(8,091)	(2,105)
Intangible assets – service concession assets	(149)	(169)
Placement of pledged fixed deposits and bank balances	(1,482)	(72)
Cash used in operations	(4,376)	(1,660)
Income taxes paid	(227)	(367)
Net cash used in operating activities	(4,603)	(2,027)

D. Condensed interim consolidated statement of cash flows for the Six Months Ended 30 June 2026 (Cont'd)

	Group Six Months Ended	
	Unaudited	**Unaudited**
	30/06/2026	**30/06/2025**
	$'000	**$'000**
Cash flows from investing activities		
Purchase of property, plant and equipment	(73)	(201)
Proceeds from disposal of property, plant and equipment	1,440	-
Purchase of intangible asset	(44)	-
Interest received	12	24
Net cash generated from / (used in) investing activities	1,335	(177)
Cash flows from financing activities		
Purchase of additional interest in a subsidiary (Note 15)	(1,804)	-
Proceeds from borrowings	3,059	1,510
Repayment of borrowings	(3,966)	(2,163)
Principal repayment of lease liabilities	(295)	(209)
Interest paid	(199)	(175)
Net cash used in financing activities	(3,205)	(1,037)
Net decrease in cash and cash equivalents	(6,473)	(3,241)
Cash and cash equivalents at the beginning of financial period	7,988	6,931
Effect of exchange rate changes on cash and cash equivalents	95	(216)
Cash and cash equivalents at the end of financial period	1,610	3,474

	Group Six Months Ended	
	Unaudited	**Unaudited**
	30/06/2026	**30/06/2025**
	$'000	**$'000**
Cash and cash equivalents comprise the following: -		
Cash and bank balances as per statements of financial position	5,808	5,633
Less: Bank balances pledged	(453)	(439)
Less: Fixed deposits with tenure more than 3 months pledged	(1,541)	(516)
Less: Bank overdraft	(2,204)	(1,204)
Cash and cash equivalents as per consolidated statement of cash flows	1,610	3,474

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 2026 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 1 Commonwealth Lane #09-06 One Commonwealth, Singapore 149544.

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 wastewater treatment plant, ultra-pure system, testing of wastewater 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 construct of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies;
(c) design and supply in vacuum cleaning systems and provision of related services; and

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2026 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Committee. 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 2025.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar ("$") which is the Company's functional currency, and all values are rounded to the nearest thousand ($'000) as indicated.

2.1. New and amended standards adopted by the Group

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") that are mandatory for financial years beginning on and after 1 January 2026, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the financial statements of the Group as at 1 January 2026.

2.2. Use of estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

E. Notes to the condensed interim consolidated financial statements

2. Basis of preparation (Cont'd)

2.2. Use of estimates and assumptions (Cont'd)

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group has also considered the market conditions as at the reporting date, in making estimates and judgements as at 30 June 2026. 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 2025.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next interim period are discussed below.

(a) Contract revenue – measuring progress

The Group recognises contract revenue over time using input method. Progress is measured by reference to contract costs incurred to date relative to the estimated total costs. Significant assumptions are required in estimating the total contract costs, which affect the measurement of progress towards satisfaction of the performance obligations; and the amount of revenue and profit recognised. In making these estimates, management relied on past experiences and the knowledge of the project managers.

The carrying amounts of contract assets and contract liabilities arising from contract revenue as at 30 June 2026 are approximately $22,151,000 and $8,058,000, respectively.

If the estimated future contract costs to complete of major contracts increase / decrease by 10% from management's estimates, the Group's revenue and profit / (loss) will decrease / increase by approximately $1,604,000 (31 Dec 2025: $1,744,000).

(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.

E. Notes to the condensed interim consolidated financial statements

2. Basis of preparation (Cont'd)

2.2. Use of estimates and assumptions (Cont'd)

(c) Impairment of goodwill

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal 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. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate included in the budget.

(d) Impairment of investment in subsidiaries and CGUs of the Group

The Group conducts impairment assessment of its investments in subsidiaries and CGUs of the Group whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether the subsidiary and CGUs of the Group are impaired requires an estimation of the recoverable amount, which required the Group to estimate the value in use based on future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. An estimate is made of the future profitability of the subsidiary, financial health and business outlook for the subsidiary, including factors such as industry and sector performance and operating cash flows.

Based on management's assessment as at 30 June 2026, no impairment losses have been recognised in respect of the above non-financial assets. The Group remains vigilant in monitoring these estimates and, barring unforeseen circumstances, does not expect a material impact in the next financial year.

E. Notes to the condensed interim consolidated financial statements

3. Segment and revenue information

For management purposes, the Group has two operating and reportable segments – Engineering Projects ("Projects"), and Operation and Maintenance Services ("O&M Services"). The principal activities of the Group's operating segments are summarised as follows:

(i) Projects – Contract to design, fabricate, assemble, install and commission engineered water systems for industrial application; engineered vacuum solution and service concession revenue;
(ii) O&M Services – Services and maintenances of water and wastewater treatment plants, water supply as well as trading and supply 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 ("CEO"), the chief operating decision maker, based on 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 2026 and 2025 is as follows:

30 June 2026	**Projects**	**O&M Services**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue				
Sales to external customers	12,751	7,346	-	20,097
Segment profit	1,365	221	-	1,586
Expenses and income				
Depreciation of property, plant and equipment	(96)	(143)	-	(239)
Depreciation of right-of-use assets	(94)	(125)	-	(219)
Amortisation of intangible assets	(152)	-	-	(152)
Legal and other professional fees	(99)	(100)	-	(199)
Reversal of provision for impairment loss on financial assets	927	-	-	927
Interest income	7	5	-	12
Finance costs	(223)	(47)	-	(270)
Segment assets	60,275	9,328	-	69,603
Segment assets include:				
Additions to:				
- property, plant and equipment	38	30	-	68
- right-of-use assets	5	7	-	12
- intangible assets	193	-	-	193
Segment liabilities	35,473	5,389	-	40,862

3. Segment and revenue information (cont'd)

Business segments (Cont'd)

30 June 2025	**Projects**	**O&M Services**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue				
Sales to external customers	15,472	7,552	-	23,024
Segment (loss) / profit	(1,112)	440	-	(672)
Expenses and income				
Depreciation of property, plant and equipment	(89)	(146)	-	(235)
Depreciation of right-of-use assets	(98)	(121)	-	(219)
Amortisation of intangible assets	(152)	-	-	(152)
Legal and other professional fees	(235)	(26)	-	(261)
Reversal of provision for impairment loss on financial assets	145	-	-	145
Interest income	11	13	-	24
Finance costs	(246)	(35)	29	(252)
Segment assets	62,428	8,997	-	71,425
Segment assets include:				
Additions to:				
- property, plant and equipment	29	128	-	157
- intangible assets	169	-	-	169
Segment liabilities	36,214	3,963	-	40,177

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:

	Group	
	30 June 2026	**30 June 2025**
	$'000	**$'000**
Segment profit from the reportable segments	1,586	(672)
Other income	1,997	522
Administrative expenses	(1,798)	(1,571)
Finance costs	(232)	(386)
Profit before income tax	1,553	(2,107)

3. Segment and revenue information (cont'd)

Reconciliation (Cont'd)

(ii) Other material information

	Group	
	30 June 2026	**30 June 2025**
	$'000	**$'000**
Additions to property, plant and equipment		
Segment total	68	157
Unallocated:		
-Relates to general and corporate assets	5	44
	73	201
Depreciation of property, plant and equipment		
Segment total	(239)	(235)
Unallocated:		
- Relates to general and corporate assets	(13)	(7)
	(252)	(242)
Depreciation of right-of-use assets		
Segment total	(219)	(219)
Unallocated:		
- Relates to general and corporate assets	(34)	(34)
	(253)	(253)
Legal and other professional fees		
Segment total	(199)	(261)
Unallocated:		
- Arising from general and corporate activities	(119)	(69)
	(318)	(330)
Finance costs		
Segment total	(270)	(252)
Unallocated:		
- Arising from general and corporate activities	(232)	(386)
	(502)	(638)

3. Segment and revenue information (cont'd)

Reconciliation (Cont'd)

(iii) Segment assets

Segment assets are reconciled to total assets as follows:

	Group	
	30 June 2026 **$'000**	**30 June 2025** **$'000**
Segment assets for reportable segments	69,603	71,425
Unallocated assets:		
- Property, plant and equipment	66	17
- Right-of-use assets	91	159
- Other receivables	75	428
- Cash and cash equivalents	31	92
- Asset held for sale	-	1,191
	69,866	73,312

(iv) Segment liabilities

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	30 June 2026 $'000	**30 June 2025** $'000
Segment liabilities for reportable segments	40,862	40,177
Unallocated liabilities:		
- Other payables	673	2,679
- Lease liabilities	95	163
- Other financial liabilities	2,715	3,287
	44,345	46,306

4. Revenue

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services and geographical location based on location of customers.

	Group				
	Service concession revenue	**Contract revenue**	**Rendering of services**	**Sale of goods**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
30 June 2026					
Geographical markets					
PRC	-	5,532	-	-	5,532
Malaysia	-	1,726	3,120	3,934	8,780
Singapore	-	5,340	8	98	5,446
Vietnam	153	-	186	-	339
	153	12,598	3,314	4,032	20,097
Timing of revenue recognition					
At a point of time	-	-	1,325	4,032	5,357
Over time	153	12,598	1,989	-	14,740
	153	12,598	3,314	4,032	20,097
30 June 2025					
Geographical markets					
PRC	-	9,021	-	-	9,021
Malaysia	-	2,559	3,574	3,807	9,940
Singapore	-	3,719	36	25	3,780
Vietnam	173	-	110	-	283
	173	15,299	3,720	3,832	23,024
Timing of revenue recognition					
At a point in time	-	-	2,120	3,832	5,952
Over time	173	15,299	1,600	-	17,072
	173	15,299	3,720	3,832	23,024

5. Other income

	Group	
	30 June 2026 $'000	**30 June 2025 $'000**
Gain on disposal of property, plant and equipment (Note 10)	143	217
Government grants	54	64
Interest income	12	24
Grant income arising from conversion of VGF Grant (Note 13)	1,566	-
Gain on modification of other financial liabilities (Note 15)	1,814	-
Late settlement of receivables income	-	104
Gain on foreign exchange, net	-	247
Miscellaneous income	20	19
	3,609	675

6. Finance costs

	Group	
	30 June 2026 $'000	**30 June 2025 $'000**
Interest expenses on:		
- other financial liabilities (amount owing to non-controlling interests)	193	382
- unwinding effect of discounting provisions	110	81
- borrowings	186	156
- lease liabilities	13	19
	502	638

7. Profit / (Loss) before income tax

This is determined after charging the following:

	Group	
	30 June 2026 $'000	**30 June 2025 $'000**
Amortisation of intangible assets	152	152
Auditors' remuneration paid / payable to:		
- auditor of the Company	102	99
Direct material costs included in cost of sales	11,986	13,414
Sub-contractor costs	1,273	1,723
Depreciation of property, plant and equipment	252	242
Depreciation of right-of-use assets	253	253
Legal and other professional fees	318	330
Leases expenses not included in lease liabilities – short term leases	54	30
Personnel expenses	5,536	5,381
Research and development fees	11	6
Write off of property, plant and equipment	-	387
Loss on foreign exchange, net	65	-

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:

	Group	
	30 June 2026 **$'000**	**30 June 2025** **$'000**
Current tax		
- Current period income tax expense	-	23

10. Property, plant and equipment

During the six months ended 30 June 2026, the Group acquired assets amounting to $73,000 (30 June 2025: $201,000).

Asset held for sale decreased to nil following the completion of the disposal of a parcel of land during the financial period and the receipt of the sale proceeds. Accordingly, the asset held for sale has been derecognised and the resulting gain on disposal has been recognised under other income (refer to Note 5).

11. Intangible assets

	Group	
	30 June 2026 **$'000**	**31 Dec 2025** **$'000**
Goodwill on acquisition	905	905
Service concession assets	12,683	12,606
Computer software and others	64	21
	13,652	13,532

12. Trade and other receivables

	Group	
	30 June 2026	**31 Dec 2025**
	$'000	**$'000**
Current:		
Trade receivables	18,792	15,764
Contract assets	22,151	29,895
Other receivables, deposits and prepayments	2,870	3,457
	43,813	49,116

** Amount less than $1,000.*

13. Trade and other payables

	Group	
	30 June 2026	**31 Dec 2025**
	$'000	**$'000**
Current:		
Trade payables	20,435	24,172
Contract liabilities	8,058	11,563
Other payables and accruals (i)	4,474	6,194
	32,967	41,929
Non-current:		
Other payable (i)	1,193	3,862
	34,160	45,791

(i) Other payable includes the Viability Grant Fund ("VGF Grant"), which was approved in May 2021 and provided by Private Infrastructure Development Group (an innovative infrastructure development and finance organisation funded by six governments and the International Finance Corporation) to finance construction and construction related activities in the Ba Lai Project. The VGF Grant of US$2,700,000 is made available to the Company via a Shareholder Loan from its NCI, InfraCo VietAqua Pte Ltd ("InfraCo").

On 19 December 2025, the Company entered into a Sale and Purchase Agreement ("SPA") with InfraCo for the acquisition of an aggregate of 3,697,670 ordinary shares in the share capital of Darco Infraco Vietnam Water Pte. Ltd ("DIVW"), representing 49% of the issued and paid-up share capital of DIVW ("Acquisition"), to be completed in three tranches. The first tranche, comprising the acquisition of 1,479,068 ordinary shares in DIVW, was completed on 9 April 2026. Accordingly, in accordance with the SPA, 40% of the contractual VGF Grant (equivalent to US$1,080,000) became non-repayable and was converted into grant. The corresponding carrying amount of this VGF Grant was derecognised and recognised as other income during the financial period (Note 5).

The remaining contractual VGF Grant, comprising 30% upon completion of the second tranche and 30% upon completion of the third tranche of the Acquisition, will become non-repayable upon completion of the Acquisition in 2027 and 2028, respectively. Accordingly, the related carrying amount of the VGF Shareholder Loan has been classified between current and non-current liabilities based on the expected timing of the remaining conversions.

14. Borrowings

	Group	
	30 June 2026 **$'000**	**31 Dec 2025** **$'000**
Amount repayable in one year or less, or on demand		
- Secured	6,977	7,023

Details of any collateral

As at 30 June 2026 and 31 December 2025, the secured borrowings are secured by corporate guarantees from the Company, pledged of assets and shares of a subsidiary, fixed deposits, freehold lands, freehold buildings and leasehold lands and buildings of the subsidiaries.

Of the Group's total borrowings of $7.0 million as at 30 June 2026, borrowings of $1.8 million relating to Darco Ba Lai Water Supply Limited ("Darco Ba Lai"), a subsidiary of the Company, did not meet certain financial covenants that are required to be maintained at each financial year, as announced on 25 February 2025. The Company is in discussions with the banker to remedy the non-fulfilment of the covenants and to obtain a waiver for the same. As at the date of this report, the bank has not demanded full repayment of the outstanding borrowings. The bank borrowings are secured by a pledge over the assets and shares of Darco Ba Lai.

15. Other financial liabilities

	Group	
	30 June 2026 **$'000**	**31 Dec 2025** **$'000**
Current liabilities	1,379	3,307
Non-current liabilities	1,336	-
	2,715	3,307

On 30 November 2018, the Group has entered into a shareholder agreement ("SHA") with InfraCo to develop a portfolio of water projects in Vietnam. The subsidiary, DIVW was incorporated in Singapore for this purpose with the Company owning 51% and InfraCo owning 49% shareholding interest. Total amount contributed by the Company and InfraCo in DIVW is $3,848,000 and $3,697,000 respectively. Pursuant to the SHA, there is a call option exercisable by the Company to acquire InfraCo's 49% equity interest in DIVW and conversely a put option exercisable by InfraCo to sell its equity interest in DIVW to the Group. The liability was recognised at present value of redemption amount, and subsequently measured at amortised cost.

As disclosed in Note 13, on 19 December 2025, the Group entered into a SPA with InfraCo for the Acquisition, which is to be completed in three tranches. Upon execution of the SPA, the put and call options under the SHA were suspended and will lapse upon completion of the Acquisition. The first tranche was completed on 9 April 2026.

Following the amendment to the contractual interest rate under the SPA, the Group remeasured the related other financial liabilities in accordance with SFRS(I) 9. The resulting modification gain was recognised in other income during the financial period (Note 5).

The remaining obligations under the SPA are expected to be settled upon completion of the second and third tranches in 2027 and 2028, respectively. Accordingly, the related other financial liabilities have been classified between current and non-current liabilities based on the expected timing of settlement.

16. Share capital

	Group and Company			
	30 June 2026		31 December 2025	
	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 2026 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 2026 and 31 December 2025.

17. 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 2026 and 31 December 2025:

(i) Financial instruments by category

	Group		Company	
	30 June 2026 $'000	31 December 2025 $'000	30 June 2026 $'000	31 December 2025 $'000
Financial assets at amortised cost:				
- Trade receivables	18,792	15,764	-	-
- Other receivables	1,165	1,572	3,872	4,887
- Cash and bank balances	5,808	9,803	30	773
	25,765	27,139	3,902	5,660
Financial liabilities at amortised cost	34,334	44,909	2,066	4,506

18. Fair values of assets and liabilities

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date, there are no financial instruments in this category.

18. Fair values of assets and liabilities (cont'd)

(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.

19. Dividends

No dividend has been declared/recommended for the current financial period in view that the Company would need to conserve cash for working capital and investment purpose.

20. Net asset value

	Group		**Company**	
	Unaudited	**Audited**	**Unaudited**	**Audited**
	30/06/2026	**31/12/2025**	**30/06/2026**	**31/12/2025**
	Cents	Cents	Cents	Cents
Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial period/year.	27.20	25.36	21.58	18.96
Number of ordinary shares	93,831,492	93,831,492	93,831,492	93,831,492

21. Subsequent event

On 17 July 2026, the Company announced that Wuhan Kaidi Water Services Co., Ltd. ("WHKD"), a subsidiary of the Company, had received a writ and statement of claim (collectively, the "Claim") filed by Shanghai Tongji Construction Co., Ltd. ("SHTJ") in the Shanghai Yangpu District People's Court. Under the Claim, SHTJ is claiming against WHKD for compensation for alleged losses amounting to RMB13,394,316 (equivalent to approximately S$2,551,000). The Company's subsidiary has appointed legal advisors to advise on the Suit and will contest the Claim. WHKD will take all steps necessary to defend the Suit and protect its interests. No adjustment has been made to the condensed 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 2026 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		
	Unaudited 30/06/2026 $'000	**Unaudited 30/06/2025 $'000**	**Change %**
Engineering Projects ("Projects")	12,751	15,472	(17.6)
Operation and Maintenance Services ("O&M Services")	7,346	7,552	(2.7)
	20,097	**23,024**	(12.7)

Revenue of the Group decreased from $23.0 million in 1H2025 to $20.1 million in 1H2026.

Revenue from the Projects segment decreased from $15.5 million in 1H2025 to $12.8 million in 1H2026. This was mainly due to slower project execution in Malaysia and China, caused by fewer new project awards and delays by main contractors.

Revenue from the O&M Services segment remained relatively stable at $7.3 million in 1H2026, compared to $7.6 million in 1H2025. This is mainly contributed by the Group's Malaysia subsidiaries, which focused on post-project services.

The Group's gross profit decreased from $2.6 million in 1H2025 to $2.1 million in 1H2026, broadly in line with the decrease in revenue, while gross profit margin declined from approximately 11.1% to 10.5%, mainly due to competitive pricing pressure and intense competition.

Other income

The increase in the Group's other income was mainly attributable to the recognition of 40% of the VGF Grant amounting to $1.57 million upon completion of the first tranche of the Acquisition, as disclosed in Note 13. The Group also recognised a gain on modification of other financial liabilities of $1.81 million arising from the remeasurement of the liabilities following the revised terms under the Acquisition (Note 15).

Administrative expenses

Administrative expenses, which comprised staff costs, professional fees, research and development expenses, depreciation, and other operating expenses, decreased from $4.7 million in 1H2025 to $4.3 million in 1H2026. The decrease was mainly due to a $0.4 million write-off of construction-in-progress relating to the disposal of the land that was recognised in 1H2025.

Reversal of provision for impairment loss on financial assets

During the financial period, the Group recorded a reversal of impairment loss on trade receivables and contract assets amounting to $0.93 million, due to the receipt of payments by its China subsidiary that had previously been impaired.

Finance costs

Finance costs decreased mainly due to the reduction in interest expense on other financial liabilities (amount owing to non-controlling interests) following the modification of the liability under the SPA, which resulted in a lower interest rate.

(b) *Statements of financial position*

Current assets

Trade and other receivables

Trade receivables increased from $15.8 million as at 31 December 2025 to $18.8 million as at 30 June 2026, mainly due to the conversion of contract assets into trade receivables as projects progressed and were billed to customers, partially offset by collections during the financial period. Correspondingly, contract assets decreased mainly due to the conversion into trade receivables upon billing, coupled with lower project execution activities in the Projects segment during 1H2026.

Other receivables decreased from $3.5 million as at 31 December 2025 to $2.9 million as at 30 June 2026 mainly due to a reduction in indirect tax receivables and advances to suppliers.

Inventories

Inventories decreased from $2.1 million as at 31 December 2025 to $1.8 million as at 30 June 2026. It was mainly due to a decrease in stock in transit recorded in a subsidiary during the reporting period.

Income tax recoverable

The increase was due to the increase in income tax recoverable from subsidiaries in Malaysia and Singapore.

Non-current assets

Property, plant and equipment

The slight decrease in property, plant and equipment was mainly attributable to depreciation charges, partially offset by additions during the financial period, as well as foreign currency translation differences.

Asset held for sale decreased to nil following the completion of the disposal of a parcel of land during the financial period. The carrying amount at disposal included foreign exchange translation movements and professional fees incurred in connection with the disposal. The resulting gain on disposal has been recognised under other income.

Right-of-use assets

The Group's right-of-use assets are mainly related to office space, warehouse, motor vehicles, and staff hostel. The decrease was mainly due to depreciation during the period.

Intangible assets

The Group's intangible assets increased from $13.5 million as at 31 December 2025 to $13.7 million as at 30 June 2026 mainly due to an increase in service concession assets.

Service concession assets refer to the concession project of the Vietnam subsidiary, Darco Ba Lai Water Supply Company Limited, to supply drinking water in Ben Tre Province of Vietnam for a concession period of 50 years commencing from July 2017 ("Ba Lai Project"). The increase in service concession assets was due to the additions incurred and foreign exchange translation gains, partially offset by amortisation charges.

Current liabilities

Trade and other payables

The decrease in trade payables from $24.1 million as at 31 December 2025 to $20.4 million as at 30 June 2026 was mainly due to lower costs incurred and slower business activities in 1H2026.

Contract liabilities decreased from $11.6 million as at 31 December 2025 to $8.1 million as at 30 June 2026, mainly due to the recognition of revenue against advance payments previously received from customers as the related performance obligations were satisfied during the financial period.

The decrease in other payables and accruals was mainly attributable to accrued interest payable of $2.8 million as at 31 December 2025 being reflected within other financial liabilities following the modification of the obligation under the SPA, as well as the recognition of 40% of the contractual VGF Grant as other income during the financial period.

Borrowings

Total borrowings remained relatively stable during the financial period. This was mainly due to repayments of bank borrowings being largely offset by increased utilisation of bank overdraft facilities to support the Group's working capital requirements.

Lease liabilities

Overall, the lease liabilities decreased from $0.7 million as at 31 December 2025 to $0.5 million as at 30 June 2026 mainly due to repayments during the period.

(c) Statement of cash flows

	As at 30 June 2026 (Unaudited) $'000	**As at 30 June 2025 (Unaudited) $'000**
Cash flows used in operating activities	(4,603)	(2,027)
Cash flows generated from / (used in) investing activities	1,335	(177)
Cash flows used in financing activities	(3,205)	(1,037)
Net decrease in cash and cash equivalents	(6,473)	(3,241)

The Group's cash position was $5.8 million as at 30 June 2026, as compared to $9.8 million as at 31 December 2025.

Cash used in operating activities in 1H2026 was mainly due to working capital movements, with a decrease in trade and other payables of $8.1 million, partially offset by a decrease in trade and other receivables of $6.9 million. In addition, the Group placed $0.8 million of pledged fixed deposits for a project performance bond and its Malaysia subsidiary pledged $0.6 million of cash as replacement security for bank facilities following the disposal of previously pledged property, plant and equipment.

Cash generated from investing activities in 1H2026 was mainly due to the receipt of sale proceeds from the disposal of the land (Note 10).

Cash used in financing activities in 1H2026 was mainly due to the first tranche payment for the acquisition of additional equity interest in DIVW and net repayments of borrowings.

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

Not applicable.

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

The Asian Development Bank projects GDP growth in developing East Asia to hold at 4.6% in 2026, supported by resilient exports and continued infrastructure investment, though constrained by weak private consumption and rising geopolitical risks. Growth in developing Southeast Asia is forecast to ease to 4.6% in 2026 amid heightened uncertainty, weaker external demand and rising commodity costs.

Despite the moderating growth backdrop across the Group's key markets, the operating environment continues to be affected by global trade policy developments, geopolitical tensions, inflationary pressures and climate-related risks. Within this environment, greater emphasis continues to be placed on cost efficiency, system reliability and sustainability outcomes, alongside stringent regulatory requirements.

In Singapore, demand for automated and environmentally sustainable waste management infrastructure remains supported by national development priorities. The Housing & Development Board launched over 6,000 flats across seven projects in its June 2026 Build-To-Order sales exercise and remains prepared to offer more than 55,000 flats between 2025 and 2027, citing continued strong housing demand. This supports a visible pipeline of Pneumatic Waste Conveyance System ("PWCS") deployment opportunities for the Group.

Against this backdrop, the Group continued to execute its secured district PWCS projects. These projects are expected to contribute to the Group's long-term recurring income base. The Group will pursue opportunities for its PWCS solutions while focusing on the effective execution of its existing project portfolio across public housing and district-level developments.

In Malaysia, the Group continued to sharpen its operational focus and enhance working capital efficiency, following the completion of the divestment of its non-core assets in Negeri Sembilan in FY2025. Competitive pressure is expected to remain elevated in the near term.

In Vietnam, the Group maintains its operational presence and continues to strengthen its long-term positioning. On 9 April 2026, the Group completed the first tranche of its proposed acquisition of Darco InfraCo Vietnam Water Pte. Ltd., increasing its equity interest to approximately 71%. The remaining two tranches of the acquisition remain pending completion in accordance with the sale and purchase agreement. Upon completion of all three tranches, the Group will hold 100% equity interest in the company, reinforcing its long-term commitment to Vietnam's water infrastructure sector.

While the broader long-term outlook for the water and waste solutions industry remains positive, the operating environment continues to be competitive. The Group will remain focused on strengthening its recurring income streams, deepening its participation in public sector environmental infrastructure, and maintaining financial discipline while pursuing sustainable long-term growth.

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 1H2026.

6. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director of chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that no person is occupying any managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

8. Confirmation pursuant to Rule 705(5) of the Listing Manual of SGX-ST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited condensed interim financial statements for the six months ended 30 June 2026 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Zhang Zhenpeng
Executive Director and CEO
14 August 2026