

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

**Unaudited Financial Statements For the Half Year Ended 30 June 2015**

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

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

	<b>Group</b>		
	<b>Half Year Ended</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>30/6/2015</b>	<b>30/6/2014</b>	
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>Change</b>
			<b>%</b>
<b>Revenue</b>	<b>11,919</b>	<b>15,009</b>	-20.6
Cost of sales	<u>(9,128)</u>	<u>(11,659)</u>	-21.7
<b>Gross profit</b>	<b>2,791</b>	<b>3,350</b>	<b>-16.7</b>
Other income	211	349	-39.5
Distribution expenses	(306)	(322)	-5.0
Administrative expenses	(3,599)	(3,699)	-2.7
Finance expenses	<u>(108)</u>	<u>(130)</u>	-16.9
<b>Loss before income tax</b>	<b>(1,011)</b>	<b>(452)</b>	123.7
Income tax expense	<u>(48)</u>	<u>(178)</u>	-73.0
<b>Loss for the period</b>	<b>(1,059)</b>	<b>(630)</b>	68.1
<b>Loss attributable to:</b>			
Equity holders of the Company	(1,264)	(765)	65.2
Non-controlling interests	<u>205</u>	<u>135</u>	51.5
<b>Loss for the period</b>	<b>(1,059)</b>	<b>(630)</b>	68.1

**1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR HALF YEAR ENDED 30 JUNE 2015.**

	<b>Group Half Year Ended</b>		
	<b>Unaudited 30/6/2015 (\$'000)</b>	<b>Unaudited 30/6/2014 (\$'000)</b>	<b>change %</b>
<b>Loss for the period</b>	(1,059)	(630)	68.1
<b>Other comprehensive (loss)/ income:</b> <i>Items that may be reclassified subsequently to profit and loss:</i>			
Currency translation differences arising from consolidation	(313)	100	n.m
<b>Other comprehensive (loss)/ income for the period</b>	(313)	100	n.m
<b>Total comprehensive loss for the period</b>	(1,372)	(530)	158.9
<b>Loss attributable to:</b>			
Equity holders of the Company	(1,264)	(765)	65.2
Non-controlling interests	205	135	51.5
<b>Loss for the period</b>	(1,059)	(630)	68.1
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company	(1,705)	(633)	169.4
Non-controlling interests	333	103	223.3
<b>Total comprehensive loss for the period</b>	(1,372)	(530)	158.9

**Note:**

n.m- not meaningful

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Included in other income are:	Group Half Year Ended Unaudited		change %
	30/6/2015 (S\$'000)	30/6/2014 (S\$'000)	
Interest income	13	73	-82.2
Government grant	-	18	n.m
Gain from settlement agreement <sup>(1)</sup>	-	209	n.m
Gain on disposal of property, plant and Equipment	2	13	-84.6
Gain on foreign exchange	114	-	n.m
Miscellaneous income	82	36	127.8
	<u>211</u>	<u>349</u>	-39.5

- (1) Gain from settlement agreement relates to the settlement amount in relation to the lawsuit in Penang against former employees on 8 April 2014. As part of the settlement agreement, the Group received compensation total of approximately S\$1.1 million (RM2.8 million).

Finance expenses:	Group Half Year Ended Unaudited		Change %
	30/6/2015 (S\$'000)	30/6/2014 (S\$'000)	
Interest expense on:-			
Bank overdraft interest	19	54	-64.8
Term loan bank borrowings	33	31	6.5
Finance lease	1	3	-66.7
Others borrowings	55	42	31.0
	<u>108</u>	<u>130</u>	-16.9

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Included in the loss before income tax are:	Group		
	Unaudited 30/6/2015 (S\$'000)	Unaudited 30/6/2014 (S\$'000)	change %
Employee compensation	3,883	4,067	-4.5
Depreciation of property, plant and equipment	271	263	3.0
Operating leases	256	198	29.3

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial years.**

	Group		Company	
	Unaudited 30/6/2015	Audited 31/12/2014	Unaudited 30/6/2015	Audited 31/12/2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11,380	9,219	1,660	249
Trade and other Receivables	13,510	12,480	3,585	773
Income tax recoverables	148	256	-	-
Inventories	1,139	953	-	-
<b>Total current assets</b>	<u>26,177</u>	<u>22,908</u>	<u>5,245</u>	<u>1,022</u>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	4,418	4,418
Property, plant equipment	4,263	4,423	-	-
Intangible assets	905	905	-	-
Deferred income tax Assets	138	136	-	-
<b>Total non-current Assets</b>	<u>5,306</u>	<u>5,464</u>	<u>4,418</u>	<u>4,418</u>
<b>Total assets</b>	<u>31,483</u>	<u>28,372</u>	<u>9,663</u>	<u>5,440</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	1,824	1,645	-	-
Trade and other payables	10,455	13,798	2,671	4,548
Income tax payable	1,607	1,750	-	-
Total current liabilities	<u>13,886</u>	<u>17,193</u>	<u>2,671</u>	<u>4,548</u>
<b>Non-current liabilities</b>				
Deferred income tax liabilities	160	169	-	-
Other payables	-	-	-	1,722
Borrowings	1,180	1,516	-	-
Total non-current liabilities	<u>1,340</u>	<u>1,685</u>	<u>-</u>	<u>1,722</u>
<b>Total liabilities</b>	<u>15,226</u>	<u>18,878</u>	<u>2,671</u>	<u>6,270</u>
<b>Net assets/ (liabilities)</b>	<u>16,257</u>	<u>9,494</u>	<u>6,992</u>	<u>(830)</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	45,120	36,985	45,120	36,985
Other reserves	(4,796)	(4,351)	-	-
Accumulated losses	(26,892)	(25,628)	(38,128)	(37,815)
	<u>13,432</u>	<u>7,006</u>	<u>6,992</u>	<u>(830)</u>
Non-controlling interests	2,825	2,488	-	-
<b>Total equity / (deficit)</b>	<u>16,257</u>	<u>9,494</u>	<u>6,992</u>	<u>(830)</u>

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

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

<b>As at 30 June 2015</b>		<b>As at 31 Dec 2014</b>	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,148	676	816	829

**Amount repayable after one year**

<b>As at 30 June 2015</b>		<b>As at 31 Dec 2014</b>	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
850	330	1,095	421

**Details of any collateral**

As at 30 June 2015 and 31 December 2014, the secured borrowings are secured by corporate guarantees by the Company and freehold land and properties of 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.**

	<b>Group</b>	
	<b>Half Year Ended</b>	
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>30/6/2015</b>	<b>30/6/2014</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>
<b>Loss before income tax</b>	<b>(1,011)</b>	<b>(452)</b>
Adjustment for:-		
Depreciation of property, plant and equipment	271	263
Gain on disposal of property, plant and equipment	(2)	(13)
Unrealised currency transaction losses	228	221
Interest expense	108	130
Interest income	(13)	(73)
<b>Operating cashflow before working capital</b>	<b>(419)</b>	<b>76</b>
<b>Changes in working capital</b>		
Inventories	(203)	(19)
Construction work-in-progress	841	(806)
Trade and other receivables	(1,345)	1,080
Trade and other payables	(1,582)	(605)
Cash used in operations	(2,708)	(274)
Income tax paid	(175)	(371)
<b>Net cash used in operating activities</b>	<b>(2,883)</b>	<b>(645)</b>
<b>Cash flows (used in)/ from investing activities</b>		
Acquisition of non controlling interest	-	524
Additions to property, plant and equipment	(344)	(224)
Interest received	13	73
Proceeds from disposal of property, plant and Equipment	-	15
<b>Net cash (used in)/ from investing activities</b>	<b>(331)</b>	<b>388</b>
<b>Cash flows from financing activities</b>		
Increase in pledged short-term deposits	64	71
Loan and advances from shareholders	-	1,000
Conversion of overdraft to term loan	-	662
Repayment of borrowings	(354)	(31)
Proceeds from rights issue, net of expenses	7,901	-
Offset of shareholder' loans against Rights proceeds	(1,600)	-
Offset of accrued bonus and advances against Rights proceeds	(631)	-
Interest paid	(108)	(130)
Repayment of finance lease liabilities	(28)	(20)
<b>Net cash from financing activities</b>	<b>5,244</b>	<b>1,552</b>
Net increase in cash and cash equivalents	2,030	1,295
Cash and cash equivalents at beginning of the year	7,943	6,876
Effect of currency translation differences	(79)	(121)
<b>Cash and cash equivalents at end of period</b>	<b>9,894</b>	<b>8,050</b>

**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.**

	Half Year Ended	
	Unaudited 30/6/2015	Unaudited 30/6/2014
	S\$'000	S\$'000
Bank and cash balances	11,380	10,098
Short-term bank deposits pledged	(508)	(1,152)
Bank overdraft	(978)	(896)
	9,894	8,050

**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.**

Group	Attributable to equity holders of the Company				Non- controlling interests (S\$'000)	Total Equity (S\$'000)
	Share Capital (S\$'000)	Accumulated losses (S\$'000)	Other Reserves (S\$'000)	Total (S\$'000)		
<b>Balance at 1 Jan 2015, restated</b>	36,985	(25,628)	(4,351)	7,006	2,488	9,494
Rights issue	8,135	-	-	8,135	-	8,135
(Loss)/ profit for the period	-	(1,264)	-	(1,264)	205	(1,059)
Other comprehensive income/(loss), net of tax:						
- Currency translation difference	-	-	(445)	(445)	132	(313)
Total comprehensive income/(loss) for the period	-	(1,264)	(445)	(1,709)	337	(1,372)
<b>Balance at 30 Jun 2015</b>	45,120	(26,892)	(4,796)	13,432	2,825	16,257

Group	Attributable to equity holders of the Company				Non- controlling interests (S\$'000)	Total Equity (S\$'000)
	Share Capital (S\$'000)	Accumulated losses (S\$'000)	Other Reserves (S\$'000)	Total (S\$'000)		
<b>Balance at 1 Jan 2014</b>	36,985	(22,260)	(4,490)	10,235	2,302	12,537
(Loss)/ profit for the period	-	(765)	-	(765)	135	(630)
Other comprehensive income/(loss), net of tax:						
- Currency translation Difference	-	-	132	132	(32)	100
Total comprehensive income/(loss) for the period	-	(765)	132	(633)	103	(530)
Disposal of subsidiary	-					
<b>Balance at 30 Jun 2014</b>	36,985	(23,025)	(4,358)	9,602	2,405	12,007



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

<b>Company</b>	<b>Share Capital (S\$'000)</b>	<b>Accumulated Loss (S\$'000)</b>	<b>Total (S\$'000)</b>
<b>Balance at 1 Jan 2015</b>	36,985	(37,815)	(830)
Rights issue	8,135	-	8,135
Total comprehensive income for the period	-	(313)	(313)
<b>Balance at 30 Jun 2015</b>	<b>45,120</b>	<b>(38,128)</b>	<b>6,992</b>

<b>Company</b>	<b>Share Capital (S\$'000)</b>	<b>Accumulated Loss (S\$'000)</b>	<b>Total (S\$'000)</b>
<b>Balance at 1 Jan 2014</b>	36,985	(37,876)	(891)
Total comprehensive income for the period	-	(38)	(38)
<b>Balance at 30 Jun 2014</b>	<b>36,985</b>	<b>(37,914)</b>	<b>(929)</b>

**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.**

On 5 March 2015, the Group announced the completion of its Rights issue exercise and 387,358,736 rights shares at issue price of S\$0.021 have been allotted and issued. Following the allotment and issuance of the Rights Shares, the total number of shares has increased from 276,684,812 to 664,043,548 shares. The Rights issue was approved at an EGM on 6 January 2015.

	<b>Company</b>	
	<b>As at 30/6/2015</b>	<b>As at 31/12/2014</b>
Number of ordinary shares	<u>664,043,548</u>	<u>276,684,812</u>
Issued and paid up capital	S\$'000 45,120	S\$'000 36,985

There are no outstanding convertibles or shares held as treasury shares 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.

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

As at 30 June 2015 and 31 December 2014, the issued ordinary shares of the Company were 664,043,548 and 276,684,812 respectively. The Company did not hold any treasury shares as at 30 June 2015 and 31 December 2014.

**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.**

There were no sales, transfer, disposal, cancellation and /or use of treasury shares during the period ended 30 June 2015.

**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 period as per the most recent audited financial statements for the financial year ended 31 December 2014.

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

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for financial years beginning on and after 1 Jan 2015, where applicable. The adoption of these new and revised FRS and INT FRS 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 for the current financial period reported.

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).**

	<b>Group Half year</b>	
	<b>Unaudited 30/6/2015</b>	<b>Unaudited 30/6/2014</b>
<b>Earnings per ordinary shares of the group for the current period reported on and the corresponding period of the immediate preceding financial year:-</b>	<u>Cents</u>	<u>Cents</u>
<b>Basic and fully diluted loss per shares</b>	(0.24)	(0.28)
Weighted average number of ordinary shares Outstanding for basic earnings/(loss) per shares	527,141,419	276,684,812

The basic and fully diluted loss per share were the same for the half year ended 30 June 2014 and 30 June 2015 as there were no potentially dilutive ordinary shares in issue as at 30 June 2014 and 30 June 2015.

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.**

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited 30/6/2015</b>	<b>Audited 31/12/2014</b>	<b>unaudited 30/6/2015</b>	<b>Audited 31/12/2014</b>
	Cents	Cents	Cents	Cents
Net asset value, after MI, (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial period/ year.	2.02	2.53	1.08	(0.30)
<b>Number of ordinary shares</b>	<u>664,043,548</u>	<u>276,684,812</u>	<u>664,043,548</u>	<u>276,684,812</u>

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

### **Revenue and Gross Profit**

Revenue of the Group decreased from S\$15.0 million in 1H2014 to S\$11.9 million in 1H2015. The decrease was mainly due to lesser projects secured in Malaysia as compared to that of 1H2014.

Revenue from Engineered Environmental Systems ("EE Systems") decreased from \$5.9 million in 1H2014 to \$1.9million, or 67.1% in 1H2015 mainly due to lesser projects secured during the period.

Revenue from Water Management Service ("WM Services") segment increased from S\$5.1 million in 1H2014 to S\$5.5 million, or 5.7% in 1H2015 as a results of higher service revenue from Taiwan (Youli medical waste) operation.

Sales from the trading of chemical, spare parts and others increased from S\$3.9 million in 1H2014 to S\$4.5 million, or 14.2% in 1H2015 mainly due to contribution from the Malaysia subsidiary acquired during first half of 2014.

The Group's overall gross profit ("GP") margin for the period was 23.4% in 1H2015, up from 22.3% in 1H2014. The slight improvement in gross profit margin was due mainly to better cost control in service segment.

### **Other income**

Other income decreased from S\$0.3 million in 1H2014 to S\$0.2 million, or 39.5% in 1H2015 mainly due to a one off compensation gain of S\$0.2 million in 1H2014 and the exchange gain of S\$0.1 million in 1H2015.

### **Operating expenses**

The group's distribution expenses decreased slightly by 5.0% in 1H2015 compared to 1H2014 as there was a one-off sales related maintenance expenses incurred in its Taiwan operation in 1H2014 but not in 1H2015.

There is no significant changes to the Group's administrative expenses in 1H2014 and 1H2015. The group administrative costs maintained at approximately S\$3.6 million comprised mainly staff cost of approximately S\$3.9 million, professional fee paid to a valuation firm amounting to approximately S\$0.2 million, rental and other operating expenses.

Finance costs decreased 16.9% mainly due to lesser overdraft used during the period as compared to last period resulting in lower overdraft interest.

Tax expenses decreased from S\$0.2 million to S\$0.1 million, or 73.0% due mainly to lower profits across the group.

## **Balance sheet**

### **Current assets**

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

	<b>As at 30 June 2015 (Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Construction work in progress	795	1,027
Trade receivables	6,032	5,193
Other receivables, deposits and prepayments	6,683	6,260
<b>Total</b>	<b>13,510</b>	<b>12,480</b>

The increase in trade and other receivables was mainly due to the following:

- a) Trade receivables increased from S\$5.2 million as at 31 December 2014 to S\$6.0 million as at 30 June 2015 mainly due to slower collection from contract customers.
- b) Other receivables, deposits and prepayments increased from S\$6.3 million in 1H2014 to S\$6.7 million in 1H2015. The increase was mainly due to prepayment of security deposits by Taiwan entity for tender of new contract.

Construction work in progress decreased slightly from S\$1.0 million in 1H2014 to S\$0.8 million in 1H2015 due to lesser projects during the 1H2015.

### **Non-current assets**

Our non-current assets comprised mainly intangible assets, property, plant and equipment and deferred income tax assets.

The decrease of non-current assets was mainly due to decrease in property, plant and equipment as a results of depreciation charge for the period of S\$0.2 million.

### **Current liabilities**

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

	<b>As at 30 June 2015 (Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Trade payables	3,451	3,698
Other payables and accruals	3,078	6,765
Contract work in progress	2,180	1,589
Tax penalty payables	1,746	1,746
<b>Total</b>	<b>10,455</b>	<b>13,798</b>

- a) Other payables and accruals decreased from S\$6.8 million in 1H2014 to S\$3.1 million in 1H2015 mainly due to the repayment of shareholders, director loans and advances.
- b) Contract work in progress increased from S\$1.6 million in 1H2014 to S\$2.2 million in 1H2015 due to higher billings of CWIP during the period.

Current borrowings increased from S\$1.6 million in 1H2014 to S\$1.8 million in 1H2015. The increase was mainly due to the increase in short-term principal repayment obligation for the bank loan in Taiwan for the next 12 months.

Income tax payables decreased slightly from S\$1.7 million in 1H2014 to S\$1.6 million in 1H2015.

### **Non-current liabilities**

Non-current liabilities comprised deferred income tax liabilities and bank borrowings. The decrease of non-current liabilities was mainly due to the repayment of bank borrowing during the period.

Total equity increased from S\$9.5 million as at 31 December 2014 to S\$16.3 million as at 30 June 2015 mainly due to the increase in shares equity due to the rights issue exercise by the Group during 1H2015.

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

	<b>30 Jun 2015</b>	<b>30 Jun 2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Net cash used in operating activities	(2,883)	(645)
Cash flows (used)/ from investing activities	(331)	388
Cash flows from financing activities	5,244	1,552
Net increase in cash and cash equivalents	<u>2,030</u>	<u>1,295</u>

The group cash position was S\$9.9 million as at 30 June 2015 compared to S\$8.0 million as at 31 December 2014.

In 1H2015, operating cash flow before changes in working capital was S\$0.4 million after adding non-cash items of S\$0.6 million. Net cash used in operating activities was S\$2.9 million mainly due to cash inflow from construction contracts of S\$0.8 million. This was offset by the cash outflow from trade and other receivables of S\$1.3 million, inventory of S\$0.2 million and trade and other payables of S\$1.6 million.

Cash used in investing activities in 1H2015 was S\$0.3 million mainly due to the additions on property, plant and equipment.

Cash from financing activities in 1H2015 of S\$5.2 million was mainly due to rights issue proceed of S\$5.6 million after deducting share issuance costs, offsetting of loans and advances from shareholders and directors.

### **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 statement made in the previous full year results announcement for FY2014.

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

The Group is facing challenges ahead due to a slow down in the electronic and semiconductor sector, nonetheless various Water Management Services are recurring in nature and will continue contributing to our Sales Revenue in the next 12 months.

On the Engineered Water Systems, the increase in enquiries for new water projects as compared to previous years, have not resulted in orders secured. Many of these projects have been delayed or postponed as our customers are adjusting to global economic uncertainty. Group revenue from municipal projects decreased as compared to previous financial period as we will be completing the only municipal project in Taiwan by end of this year. The Group will continue to lookout for potential municipal projects in future.

The Company has also been on the lookout for Merger and Acquisition opportunities and will continue to do so as its growth strategy. An announcement will be made via SGX-Net should there be any finalised transactions.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

No

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

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

No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared or recommended for 1H2015.

**13. 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.**

The Group does not have any IPT general mandate from shareholders pursuant to Rule 920.

**14. Use of Rights issue proceeds**

Pursuant to the Rights issue on 5 March 2015, the Company received net proceeds of the new rights shares of approximately S\$5.7 million, after deducting issue expenses and offsetting of accrued bonus, shareholders loans and advanced payment. The utilisation of the Rights proceeds as at the date of this announcement is as follow:

	<b>Amount '000</b>
<b>Proceeds from Rights Issues, net of issuance costs</b>	7,901
Less:	
Amount offset against Company's Indebtedness (accrued bonus) and advance payment	(631)
Amount offset against loan from Shareholders	(1,600)
<b>Net cash proceeds, before deducting issuance costs</b>	<u>5,670</u>
Less:	
Payment of Company's Indebtedness-accrued bonus	(431)
Payment of operating expenses	(1,916)
Repayment of overdraft taken for the working capital of the Group's Malaysia operation	(750)
<b>Amount utilised</b>	<u>(3,097)</u>
<b>Balance unutilised</b>	<u>2,573</u>

**15. 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 second quarter financial statements for the period ended 30 June 2015 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Thye Kim Meng  
Chairman and CEO

Heather Tan Chern Ling  
Executive Director

**By Order of the Board**

**Thye Kim Meng**  
**Chairman and CEO**  
5 August 2015