

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

**Unaudited Financial Statements For the Half Year Ended 30 June 2016**

**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>30/6/2016</b>	<b>30/6/2015</b>	
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>Change</b>
			<b>%</b>
<b>Revenue</b>	<b>26,677</b>	<b>11,919</b>	123.8
Cost of sales	(21,449)	(9,128)	135.0
<b>Gross profit</b>	<b>5,228</b>	<b>2,791</b>	
Other income	116	211	-45.0
Marketing and distribution expenses	(568)	(306)	85.6
Administrative expenses	(3,858)	(3,436)	12.3
Other expenses	(623)	(163)	282.2
Finance expenses	(53)	(108)	-50.9
<b>Profit/(loss) before income tax</b>	<b>242</b>	<b>(1,011)</b>	
Income tax expense	(188)	(48)	291.7
<b>Profit/(loss) for the period</b>	<b>54</b>	<b>(1,059)</b>	
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company	(511)	(1,264)	-59.6
Non-controlling interests	565	205	175.6
<b>Profit/(loss) for the period</b>	<b>54</b>	<b>(1,059)</b>	

**Note:**

n.m- not meaningful

**1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR HALF YEAR ENDED 30 JUNE 2016.**

	<b>Group</b>		
	<b>Half Year Ended</b>		
	<b>Unaudited</b>	<b>Unaudited</b>	<b>change</b>
	<b>30/6/2016</b>	<b>30/6/2015</b>	<b>%</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	
<b>Profit/(loss) for the period</b>	54	(1,059)	n.m
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Currency translation differences arising from consolidation	(430)	(315)	36.5
<b>Other comprehensive loss for the period</b>	(430)	(315)	36.5
<b>Total comprehensive loss for the period</b>	(376)	(1,374)	-72.6
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company	(511)	(1,264)	-59.6
Non-controlling interests	565	205	175.6
<b>Profit/(loss) for the period</b>	54	(1,059)	-105.1
<b>Total comprehensive profit/ (loss) attributable to:</b>			
Equity holders of the Company	(754)	(1,707)	-55.8
Non-controlling interests	378	333	13.5
<b>Total comprehensive loss for the period</b>	(376)	(1,374)	-72.6

**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 %
	30/6/2016 (\$'000)	30/6/2015 (\$'000)	
Interest income	16	13	23.1
Government grant	10	-	n.m
Gain on disposal of property, plant and Equipment	8	2	300.0
Gain on foreign exchange	46	114	-59.6
Miscellaneous income	36	82	-56.1
	<u>116</u>	<u>211</u>	

Finance expenses:	Group Half Year Ended Unaudited		Change %
	30/6/2016 (\$'000)	30/6/2015 (\$'000)	
Interest expense on:-			
Borrowings	(50)	(107)	53.3
Finance lease	(3)	(1)	200.0
	<u>(53)</u>	<u>(108)</u>	

Included in the profit/(loss) before income tax are:	Group Half Year Ended Unaudited		change %
	30/6/2016 (\$'000)	30/6/2015 (\$'000)	
Employee compensation	(4,578)	(3,883)	17.9
Amortisation of intangible assets	(95)	-	n.m
Depreciation of property, plant and equipment	(295)	(256)	15.2
Operating leases	(275)	(144)	91.0

**Note:**

n.m- not meaningful

**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 30/6/2016 \$'000	Audited 31/12/2015 \$'000	Unaudited 30/6/2016 \$'000	Audited 31/12/2015 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	4,110	4,175	-	-
Intangible assets	6,473	905	-	-
Investment in subsidiaries	-	-	15,298	4,397
Deferred tax assets	234	144	-	-
<b>Total non-current assets</b>	<b>10,817</b>	<b>5,224</b>	<b>15,298</b>	<b>4,397</b>
<b>Current assets</b>				
Inventories	1,284	883	-	-
Trade and other receivables	35,751	9,399	5,810	5,361
Income tax recoverable	348	189	-	-
Cash and cash equivalents	7,214	9,308	159	1,138
<b>Total current assets</b>	<b>44,597</b>	<b>19,779</b>	<b>5,969</b>	<b>6,499</b>
<b>Total assets</b>	<b>55,414</b>	<b>25,003</b>	<b>21,267</b>	<b>10,896</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	19,159	4,899	2,570	2,249
Borrowings	2,172	931	-	-
Income tax payable	213	201	-	-
<b>Total current liabilities</b>	<b>21,544</b>	<b>6,031</b>	<b>2,570</b>	<b>2,249</b>
<b>Non-current liabilities</b>				
Other payables	35	-	-	501
Borrowings	811	964	-	-
Deferred tax liabilities	256	250	-	-
<b>Total non-current liabilities</b>	<b>1,102</b>	<b>1,214</b>	<b>-</b>	<b>501</b>
<b>Total liabilities</b>	<b>22,646</b>	<b>7,245</b>	<b>2,570</b>	<b>2,750</b>
<b>Net assets</b>	<b>32,768</b>	<b>17,758</b>	<b>18,697</b>	<b>8,146</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	55,851	44,980	55,851	44,980
Other reserves	(3,488)	(3,245)	-	-
Accumulated losses	(25,980)	(25,469)	(37,154)	(36,834)
	26,383	16,266	18,697	8,146
Non-controlling interests	6,385	1,492	-	-
<b>Total equity</b>	<b>32,768</b>	<b>17,758</b>	<b>18,697</b>	<b>8,146</b>

**1(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 2016</b>		<b>As at 31 Dec 2015</b>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
2,172	-	892	39

**Amount repayable after one year**

<b>As at 30 June 2016</b>		<b>As at 31 Dec 2015</b>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
811	-	964	-

**Details of any collateral**

As at 30 June 2016 and 31 December 2015, the secured borrowings are secured by corporate guarantees 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>30/6/2016</b>	<b>30/6/2015</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Profit/(Loss) before income tax</b>	<b>242</b>	<b>(1,011)</b>
Adjustments for:-		
Amortisation of intangible assets	95	-
Depreciation of property, plant and equipment	295	144
Gain on disposal of property, plant and equipment	(8)	-
Unrealised gain in foreign exchange	(34)	228
Interest expense	53	108
Interest income	(16)	(14)
<b>Operating cashflow before working capital</b>	<b>627</b>	<b>(545)</b>
<b>Changes in working capital</b>		
Inventories	1,680	(203)
Construction work-in-progress	(5,278)	841
Trade and other receivables	(6,473)	(1,346)
Trade and other payables	5,201	(1,142)
Cash used in operations	(4,243)	(2,395)
Income tax paid	(724)	(175)
<b>Net cash used in operating activities</b>	<b>(4,967)</b>	<b>(2,570)</b>
<b>Cash flows from investing activities</b>		
Net cash inflow from acquisition of subsidiary	3,337	-
Additions of property, plant and equipment	(71)	(218)
Interest received	16	14
Proceeds from disposal of property, plant and Equipment	8	-
<b>Net cash from/(used in) investing activities</b>	<b>3,290</b>	<b>(204)</b>
<b>Cash flows from financing activities</b>		
Increase in pledged short-term deposits	8	64
Repayment of borrowings	(112)	(354)
Proceeds from rights issue	-	5,320
Interest paid	(50)	(108)
Repayment of finance lease liabilities	(25)	(28)
<b>Net cash (used in)/from financing activities</b>	<b>(179)</b>	<b>4,804</b>
Net (decrease)/increase in cash and cash equivalents	(1,856)	2,030
Cash and cash equivalents at beginning of the year	7,711	7,943
Effect of currency translation differences	(413)	(79)
<b>Cash and cash equivalents at end of period</b>	<b>5,442</b>	<b>9,894</b>

**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 A: Acquisition of Wuhan Kaidi Water Services Co. Ltd ("WHKD")**

In April 2016, the Group acquired 60% interest in WHKD for a total purchase consideration of \$10.9 million. WHKD is engaged principally in the business of provision of comprehensive and integrated engineering solutions for water purification, water supply and wastewater treatment systems.

The purchase price allocation ("PPA") exercise in respect of the above acquisition has not been completed as at 30 June 2016. The Group has 12 months from date of acquisition to finalise the fair value measurement and accounting as allowed under FRS 103 *Business Combinations*. For 1H2016, the Group has determined that goodwill arising from this acquisition was recognised.

Details of the assets acquired, liabilities recognised and consideration transferred in respect of the above acquisition are as follows:-

	<b>WHKD</b> <b>\$'000</b>
Cash and cash equivalents	3,367
Trade and other receivables	9,488
Construction work in progress	4,806
Inventories	2,081
Property, plant and equipment	140
Intangible assets	1,577
Deferred tax assets	99
Trade and other payables	(8,823)
Income tax payables	(402)
Borrowings	(1,045)
Total identifiable net assets at fair value	<u>11,288</u>
Non-controlling interest measures at fair value	<u>(4,515)</u>
	6,773
Goodwill arising from consolidation	4,128
Total consideration shares	<u><u>10,901</u></u>

\* The fair value of assets acquired and liabilities recognised presented may be subjected to changes upon the completion and finalisation of the respective PPA exercise.

Net cash inflows from the acquisition of subsidiary - WHKD

	<b>\$'000</b>
Cash and cash equivalents acquired	3,367
Less: incidental cost incurred in issuance of shares	(30)
Net cash inflows from acquisition of subsidiary - WHKD	<u><u>3,337</u></u>

**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 30/6/2016	Unaudited 30/6/2015
	\$'000	\$'000
Bank and cash balances	7,214	11,380
Short-term bank deposits pledged	(845)	(508)
Bank overdraft	(927)	(978)
	5,442	9,894

**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 (\$'000)	Total Equity (\$'000)
	Share Capital (\$'000)	Accumulated losses (\$'000)	Other Reserves (\$'000)	Total (\$'000)	Total		
<b>Balance at 1 Jan 2016</b>	44,980	(25,469)	(3,245)	16,266	1,492	17,758	
Issuance of shares	10,871	-	-	10,871	-	10,871	
Acquisition of subsidiary	-	-	-	-	4,515	4,515	
Profit for the year	-	(511)	-	(511)	565	54	
Other comprehensive income/(loss), net of tax:							
- Currency translation difference	-	-	(243)	(243)	(187)	(430)	
Total comprehensive income for the year	-	(511)	(243)	(754)	378	(376)	
<b>Balance at 30 Jun 2016</b>	55,851	(25,980)	(3,488)	26,383	6,385	32,768	

Group	Attributable to equity holders of the Company					Non- controlling interests (\$'000)	Total Equity (\$'000)
	Share Capital (\$'000)	Accumulated losses (\$'000)	Other Reserves (\$'000)	Total (\$'000)	Total		
<b>Balance at 1 Jan 2015</b>	36,985	(25,628)	(4,351)	7,006	2,488	9,494	
Rights issue	8,135	-	-	8,135	-	8,135	
Profit for the year	-	(1,264)	-	(1,264)	205	(1,059)	
Other comprehensive income/(loss), net of tax:							
- Currency translation difference	-	-	(445)	(445)	132	(315)	
Total comprehensive income for the year	-	-	(445)	(1,709)	337	(315)	
<b>Balance at 30 Jun 2015</b>	45,120	(26,892)	(4,796)	13,432	2,825	16,257	



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

<b>Company</b>	<b>Share Capital (\$'000)</b>	<b>Accumulated Loss (\$'000)</b>	<b>Total (\$'000)</b>
<b>Balance at 1 Jan 2016</b>	44,980	(36,834)	8,146
Issurance of shares	10,871	-	10,871
Total comprehensive income for the period	-	(320)	(320)
<b>Balance at 30 Jun 2016</b>	<b>55,851</b>	<b>(37,154)</b>	<b>18,697</b>

<b>Company</b>	<b>Share Capital (\$'000)</b>	<b>Accumulated Loss (\$'000)</b>	<b>Total (\$'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	-	(150)	(150)
<b>Balance at 30 Jun 2015</b>	<b>45,120</b>	<b>(37,965)</b>	<b>7,155</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.**

During the period, the Company has announced that it has:

- (a) acquired 60% equity interest in the registered capital of WHKD; and
- (b) allotted and issued the total amount of 19,124,454 consideration shares in satisfaction of the consideration for the acquisition of WHKD.

Following the allotment and issuance of the Shares, the total number of shares has increased from 33,202,147 shares to 52,326,601 shares.

	<b>Company</b>	
	<b>As at 30/6/2016</b>	<b>As at 31/12/2015</b>
Number of ordinary shares	<u>52,326,601</u>	<u>33,202,147</u>
Issued and paid up capital	<u>\$'000 55,851</u>	<u>\$'000 44,980</u>

There were 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 2016 and 31 December 2015, the issued ordinary shares of the Company was 52,326,601 and 33,202,147 respectively. There were no treasury shares as at 30 June 2016 and 31 December 2015.

**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 2015.

**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") that are mandatory for financial years beginning on and after 1 Jan 2016, 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 Jan 2016.

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 30/6/2016</b>	<b>Unaudited 30/6/2015</b>
<b>Earnings per ordinary shares of the group for the current year reported on and the corresponding period of the immediate preceding financial year:-</b>	Cents	Cents
<b>Basic and diluted loss per shares</b>	(1.24)	(4.08)
Weighted average number of ordinary shares Outstanding for basic loss per share	41,293,262	30,947,305

The Company has completed the following in previous financial year:

- (i) Issuance of 387,358,736 ordinary shares at an issue price of \$0.021 each pursuant to a right issue on 5 March 2015; and
- (ii) A share consolidation of twenty (20) existing issued shares into one (1) ordinary share on 1 December 2015.

Hence for the purpose of calculating basis and diluted earnings per share, the weighted average number of shares has reflected these changes as if the bonus element in the rights issue and the share consolidation were effected at the beginning of the prior financial year.

There were no potentially dilutive ordinary shares in issue as at 30 June 2015 and 30 June 2016.

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 30/6/2016 Cents</b>	<b>Audited 31/12/2015 Cents</b>	<b>Unaudited 30/6/2016 Cents</b>	<b>Audited 31/12/2015 Cents</b>
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.	62.62	53.48	35.73	24.53
<b>Number of ordinary shares</b>	52,326,601	33,202,147	52,326,601	33,202,147

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**

	<b>Group Half Year Ended</b>		<b>Change %</b>
	<b>Unaudited 30/6/2016 (\$'000)</b>	<b>Unaudited 30/6/2015 (\$'000)</b>	
<b>Revenue</b>	<b>26,677</b>	<b>11,919</b>	<b>123.8</b>
- Existing group's business	14,204	11,919	19.2
- WHKD (newly acquired subsidiary)	12,473	-	n.m
<b>Cost of sales</b>	<b>(21,449)</b>	<b>(9,128)</b>	<b>135.0</b>
- Existing group's business	(10,932)	(9,128)	19.8
- WHKD (newly acquired subsidiary)	(10,517)	-	n.m
<b>Gross profit</b>	<b>5,228</b>	<b>2,791</b>	
- Existing group's business	3,272	2,791	17.2
- WHKD (newly acquired subsidiary)	1,956	-	n.m

Based on the above, the newly acquired entity, Wuhan Kaidi Water Services Co. Ltd ("WHKD") contributed a total revenue of \$12.5 million to the Group. Revenue from the Group's existing businesses increased by \$2.3 million mainly due to higher contributions from subsidiaries in Malaysia.

Revenue from Engineered Environmental Systems ("EE Systems") increased from \$1.9 million in 1H2015 to \$15.8 million in 1H2016 mainly due to contributions of S\$11.7 million from WHKD and more projects secured and performed by the subsidiaries in Malaysia.

Revenue from Water Management Service ("WM Services") segment decreased from \$5.5 million in 1H2015 to \$5.2 million in 1H2016 as a result of lower after-sales services performed during the period.

Sales from the trading of chemical, spare parts and others increased from \$4.5 million in 1H2015 to \$5.7 million in 1H2016 mainly due to contributions of \$0.8 million from WHKD.

The Group's overall gross profit ("GP") increased by \$2.8 million to \$5.2 million. The increase in the GP is mainly due to WHKD which contributed \$2.0 million. However, GP margin of the Group decreased from 23.4% in 1H2015 to 19.6% in 1H2016. In order to maintain competitiveness in China, the Group had to secure more projects at lower margin.

### **Other Income**

The reduction in Other Income is mainly due to the decrease in the gain on foreign exchange. The Group are exposed to foreign exchange risks due to its overseas purchase of project materials which are denominated in foreign currency. The decrease in gain on foreign exchange is due to the less volatility in foreign exchange movement against the Group's functional currency.

## **Operating expenses**

The group's marketing and distribution expenses increased \$306,000 to \$568,000 in 1H2016 mainly due to inclusion of expenses relating to WHKD.

Administrative expenses which comprised mainly staff salary, professional fees, rental and other operating expenses, increased from \$3.4 million in 1H2015 to \$3.9 million in 1H2016. This was mainly due to the \$548,000 contribution from WHKD which comprised mainly payroll expenses, depreciation and amortisation cost, rental and other expenses. Included in prior year were administrative expenses of \$94,000 for Darco Engineering (Taiwan) Co., Ltd which was sold in July 2015.

Included in other expenses amounting to \$623,000 (30 June 2015: \$163,000) are the acquisition costs in relation to WHKD which included the professional fees and other expenses to effect the completion of the acquisition.

Finance costs decreased by 50.9% mainly due to lesser utilisation of bank overdrafts during the period as compared to the previous period resulting in lower finance expenses.

Tax expenses increased from \$48,000 to \$188,000, or 291.7% due to tax provision on profit arising from WHKD for the current financial year.

Employee compensation increased from \$3,883,000 for 1H2015 to \$4,578,000 for 1H2016. This is mainly due to the staff costs from WHKD amounting to \$459,000 and a slight increase in staff costs for the Group's existing business.

The amortisation of intangible assets amounting to \$95,000 are mainly attributed to the software licenses that were acquired previously by WHKD.

Overall, the Group reversed its loss of \$1,059,000 for 1H2015 to a profit of \$54,000 for 1H2016. With the contribution from WHKD, the Group is able to reduce the loss attributable to the equity holders of the Company from \$1,264,000 for 1H2015 to \$511,000 in 1H2016.

## **Balance sheet**

### **Current assets**

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

	<b>As at 30 June 2016 (Unaudited)</b>	<b>As at 31 December 2015 (Audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Construction work in progress	11,401	1,044
Trade receivables	16,938	6,321
Other receivables, deposits and prepayments	7,412	2,034
<b>Total</b>	<b>35,751</b>	<b>9,399</b>

## **Balance sheet (Cont'd)**

### **Current assets** (Cont'd)

The increase in trade and other receivables is mainly due to the contribution from the newly acquired entity, WHKD, amounting to \$26.3 million.

The trade and other receivables included in WHKD are mainly:-

1. outstanding trade receivables amounting to \$10.3 million
2. other receivables and prepayment amounting to \$5.5 million which mainly included payment made to the suppliers for the procurement of materials for project usage
3. construction work in progress amounting to \$10.5 million

There are no significant changes in trade and other receivables for the existing business.

### **Non-current assets**

There is no significant increase in property, plant and equipment and deferred tax assets.

The significant increase in the intangible assets is mainly due to:

- (i) goodwill arising from the consolidation of WHKD amounting to \$4.1 million
- (ii) software licenses amounting to \$1.4 million that were acquired previously by WHKD

### **Current liabilities**

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

	<b>As at 30 June 2016 (Unaudited)</b>	<b>As at 31 December 2015 (Audited)</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	12,059	2,050
Other payables and accruals	5,847	980
Construction work in progress	1,253	1,869
<b>Total</b>	<b>19,159</b>	<b>4,899</b>

The increase in trade and other payables is mainly due to the consolidation of the newly acquired entity, WHKD, amounting to \$15.1 million.

The trade and other payables included in WHKD are mainly:-

1. outstanding trade payables amounting to \$10.1 million
2. other payables and accruals amounting to \$5.0 million which mainly includes advance payments received from project customers, VAT tax payables and accruals of expenses.

Current borrowings increased from \$931,000 in 2015 to \$2,172,000 in 1H2016. The increase was mainly due to the contribution from the new acquired entity, WHKD, amounting to \$1,045,000.

There is no significant fluctuation for income tax payables which is \$213,000 as at 30 June 2016.

### **Non-current liabilities**

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

## Balance sheet (Cont'd)

### Equity

Total equity increased from \$16.3 million as at 31 December 2015 to \$26.0 million as at 30 June 2016 mainly due to the issuance of shares amounting to \$10.9 million for the acquisition of the subsidiary, WHKD.

### Cash flow statement for the period ended

	<b>30 Jun 2016</b>	<b>30 Jun 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash used in operating activities	(4,967)	(2,570)
Cash flows from/(used in) investing activities	3,290	(204)
Cash flows (used in)/from financing activities	(179)	4,804
Net (decrease)/increase in cash and cash equivalents	<u>(1,856)</u>	<u>2,030</u>

The group cash position was \$5.4 million as at 30 June 2016 compared to \$7.7 million as at 31 December 2015.

In 1H2016, operating cash flow before changes in working capital was \$627,000 after adding non cash items of \$385,000. Net cash used in operating activities was \$5.0 million mainly due to cash outflow for the construction contracts amounting to \$5.3 million and trade and other receivables amounting to \$6.5 million. This was offset by the cash inflow from trade and other payables of \$5.2 million and inventories of \$1.7 million.

Cash generated from investing activities in 1H2016 is \$3.3 million mainly due to the cash inflow resulting from the acquisition of WHKD.

Cash used in financing activities in 1H2016 of \$0.2 million was mainly for the repayment of the borrowing and interest.

**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.**

The Group completed the acquisition of WHKD on March 2016 and has recognised three months of WHKD's results in the Group's half year results. The Group expects this acquisition to continue to have a positive impact on the Group's revenue in the next 12 months.

The Group has secured several new projects for its Pneumatic Waste Conveyance System in Singapore earlier this year and expects synergy within the Group by leveraging on WHKD's procurement network.

**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. (Cont'd)**

In the area of wastewater treatment and management of solid waste, the Group has traditionally provided suitable engineering systems for customers to meet the relevant regulatory requirements. Increasingly, such wastewater and solid waste are recognised by regulators and owners to be resource rich as it contain energy and nutrients that can be effectively recovered and utilised. From a technological standpoint, the Group is well positioned to seize these new opportunities arising from both private and public initiatives intensifying their efforts on renewable energy and resources.

The Group shall allocate more financial resources to participate in such projects either on a Build-Operate-Transfer ("BOT") model or Engineering, Procurement and Construction ("EPC") arrangement. The Group is also mindful that the BOT model will require commitment of large amount of capital and has recently entered into a mutual understanding to co-invest with a London based asset management fund which would provide majority of the capital if the BOT project meets the pre-agreed financial criteria and risk profile. This will enhance the financial capacity of the Group to undertake more BOT projects in the next 12 months.

**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 (recommended), a statement to that effect.**

Not applicable



### 13. Use of Rights issue proceeds

Pursuant to the Rights issue on 5 March 2015, the Company received net proceeds from the issuance of new rights shares of approximately \$5.8 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:

S/N	Purpose from right issues proceeds	Amount allocated	Amount utilised	Balance
		\$'000	\$'000	\$'000
1	Funding new projects or investments when opportunities arose	2,000	(829)	1,171
2	General working capital	3,764	(3,764)	-
	- Payment of company's indebtedness	-	(432)	
	- Repayment of overdraft and loan taken for the working capital of the Group's working capital	-	(862)	
	- Other general working capital			
	- Staff salary	-	(1,002)	
	- Professional fees	-	(785)	
	- Rental	-	(116)	
	- Others	-	(567)	
	<b>Total</b>	5,764	(4,593)	1,171

### 14. 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

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

**15. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers pursuant to Rule 720(1) of the SGX Listing Manual**

The Company confirms that it has procured undertakings from all its directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

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

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial statements for the period ended 30 June 2016 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**  
10 August 2016