

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

**MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND  
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**

The Board of Directors (the “**Directors**”) of the Company refers to its full year financial results announcement for the financial year ended 31 December 2019 made on 28 February 2020 via the SGXNET (“**Preliminary Unaudited Results 2019**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company wishes to announce that subsequent to the release of the Preliminary Unaudited Results 2019, the external auditor has proposed certain reclassifications and adjustment which the management of the Company has adopted accordingly.

The details and explanation of the material variances between the audited financial statements and the Preliminary Unaudited Results 2019 are shown below:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

(Amounts in thousands of Singapore dollars (“\$’000”))

	<b>Audited financial statements 2019 (S\$’000)</b>	<b>Preliminary Unaudited Results 2019 (S\$’000)</b>	<b>Variance (S\$’000)</b>	<b>Note</b>
Revenue	74,801	75,940	(1,139)	A
Cost of sales	(64,802)	(66,093)	1,291	A
<b>Gross profit</b>	<u>9,999</u>	<u>9,847</u>		
Other income	451	464	(13)	B
Distribution expenses	(1,733)	(1,743)	10	B
Administrative expenses	(16,294)	(12,434)	(3,860)	B
Impairment loss on financial assets	(3,771)	(2,462)	(1,309)	B
Finance costs	(550)	(545)	(5)	
<b>Loss before income tax</b>	(11,898)	(6,873)		
Income tax expense	417	(96)	513	C
<b>Loss for the financial year</b>	<u>(11,481)</u>	<u>(6,969)</u>	(4,512)	
<b>Loss attributable to:</b>				
Equity holders of the Company	(8,829)	(6,517)		
Non-controlling interests	(2,652)	(452)		
	<u>(11,481)</u>	<u>(6,969)</u>		

Explanation of material variances:

Notes:

(A): Revenue and cost of sales

	Revenue S'\$000	Cost of sales S'\$000
As per preliminary unaudited results	(75,940)	66,093
Reversal of revenue and costs recognised	1,139	992
Reclassified from administrative expenses	-	299
As per Audited financial statements	<u>(74,801)</u>	<u>64,802</u>

(B): Other income and administrative expenses

	Other income S'\$000	Distribution expenses S'\$000	Administrative expenses S'\$000	Impairment loss on financial assets S'\$000
As per preliminary unaudited results	(464)	1,743	12,434	2,462
Increase in the provision for bonus and payroll expenses	-	-	704	-
Additional impairment loss	-	-	2,854	1,309
Reclassification to cost of sales	-	-	(299)	-
Others	13	(10)	(3)	-
As per Audited financial statements	<u>(451)</u>	<u>1,733</u>	<u>16,294</u>	<u>3,771</u>

(C): Changes in the provision of income tax and deferred tax

	Income tax expenses S'\$000
As per preliminary unaudited results	96
Changes in the provision of income tax and deferred tax	(513)
As per Audited financial statements	<u>(417)</u>

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

(Amounts in thousands of Singapore dollars (“\$’000”))

	Group			
	Audited financial statements 2019 (S\$’000)	Preliminary Unaudited Results 2019 (S\$’000)	Variance  (S\$’000)	Note
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	7,630	7,915	(285)	(i)
ROU assets	715	688	27	(i)
Intangible assets	3,593	6,528	(2,935)	(i)
Deferred tax assets	653	99	554	(ii)
	<b>12,591</b>	<b>15,230</b>	<b>(2,639)</b>	
<b>Current assets</b>				
Inventories	6,186	6,223	(37)	(iii)
Trade and other receivables	62,507	42,982	19,525	(iv)
Income tax recoverable	143	602	(459)	(ii)
Cash and cash equivalents	27,420	27,531	(111)	(v)
	<b>96,256</b>	<b>77,338</b>	<b>18,918</b>	
<b>Total assets</b>	<b>108,847</b>	<b>92,568</b>	<b>16,279</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	52,592	31,709	20,883	(iv)
Borrowings	10,940	9,971	969	(vi)
Lease liabilities	323	551	(228)	(vi)
Derivative financial instruments	3	-	3	
Income tax payable	264	494	(230)	(ii)
Total current liabilities	<b>64,122</b>	<b>42,725</b>	<b>21,397</b>	
<b>Non-current liabilities</b>				
Borrowings	1,310	1,758	(448)	(vi)
Lease liabilities	242	143	99	(vi)
Deferred tax liabilities	28	437	(409)	(ii)
Total non-current liabilities	<b>1,580</b>	<b>2,338</b>	<b>(758)</b>	
<b>Total liabilities</b>	<b>65,702</b>	<b>45,063</b>	<b>20,639</b>	
<b>Net assets</b>	<b>43,145</b>	<b>47,505</b>	<b>(4,360)</b>	

Explanation of material variances:

Notes:

(i) Property, plant and equipment, ROU assets and Intangible assets

	Property, plant equipment S'\$000	ROU assets S'\$000	Intangible assets S'\$000
As per preliminary unaudited results	7,915	688	6,528
Reclassified to ROU assets	(245)	245	-
Impairment of intangible assets	-	-	(2,920) <sup>(1)</sup>
ROU assets and lease liabilities wrongly recognised	-	(203)	-
Translation differences	(41)	(15)	(15)
As per Audited financial statements	7,630	715	3,593

(1) Impairment loss has been made on the intangible assets for Wuhan Kaidi Water Services Co., Ltd (“WHKD”),

(ii) Income tax and deferred tax

	Deferred tax assets S'\$000	Income tax recoverable S'\$000	Income tax payable S'\$000	Deferred tax liabilities S'\$000
Balance as per Preliminary Unaudited Results	99	602	(494)	(437)
Changes in the provision of income tax and deferred tax	554	-	(168)	409
Reclassified from payables	-	-	(61)	-
Reclassification	-	(459)	459	-
Balance as per Audited financial statements	653	143	(264)	(28)

(iii) Inventories

	S\$'000
Balance as per Preliminary Unaudited Results	6,223
Additional impairment on inventories	(18)
Translation difference	(19)
Balance as per Audited financial statements	<u>6,186</u>

(iv) Trade and other receivables and payables

	Trade and other receivables S'\$000	Trade and other payables S'\$000
As per preliminary unaudited results	42,982	(31,709)
Reclassified		
- from payable to receivables	21,955	(21,955)
- to income tax payables	-	61
- to borrowings	-	595
- to cash and bank	-	111
Impairment losses on financial assets	(1,291)	-
Reduction in costs and revenue recognised	(1,139)	992
Increase in the provision for bonus and payroll expenses	-	(704)
Translation	-	17
As per Audited financial statements	<u>62,507</u>	<u>(52,592)</u>

(v) Cash and bank balances

	S\$'000
Balance as per Preliminary Unaudited Results	27,531
Reclassified from bank to trade and other payables	(111)
Balance as per Audited financial statements	<u>27,420</u>

(vi) Borrowings and lease liabilities

	Borrowings S'\$000	Lease liabilities S'\$000
As per preliminary unaudited results	(11,729)	(694)
Reclassified		
- from other payable to borrowing	(595)	-
- from borrowing to lease liabilities	74	(74)
ROU assets and lease liabilities wrongly recognised	-	203
As per Audited financial statements	<u>(12,250)</u>	<u>(565)</u>

**By Order of the Board**

Poh Kok Hong  
Executive Director and Chief Executive Officer  
4 June 2020