SOLUTIONS TO WATER & WASTE

ANNUAL REPORT 2016

Solutions for the Future

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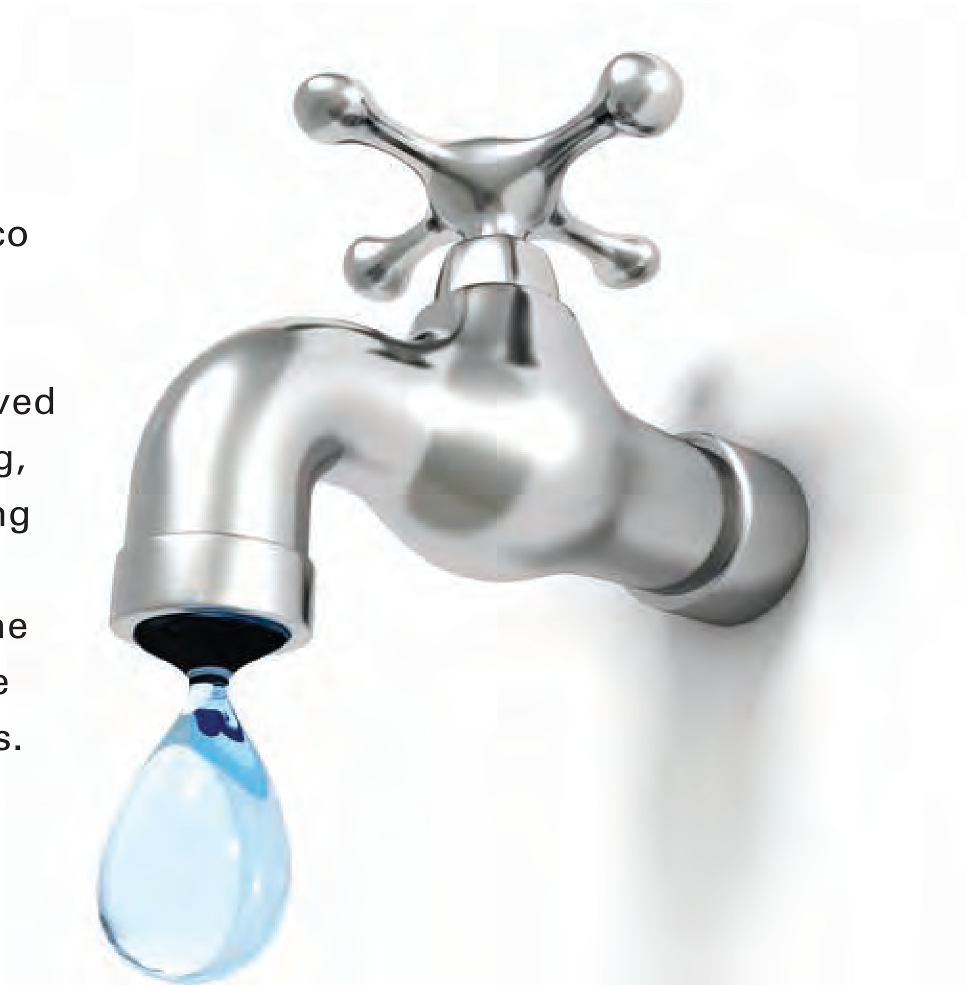
Corporate Profile

Established in 1999, Darco Water Technologies (the "Group") is principally a systems integrator involved in the designing, building, operating and maintaining of water management processes that employ the membrane, ion exchange and thermal technologies.



Corporate **Profile**

Darco Water is always determined to make positive impact to the environment by providing comprehensive solutions to the customers. As the economy developed, the Group diligently kept pace with the changing demands of different industries and strived to enhance its engineering capability in the environmental protection industry. Today, apart from designing, manufacturing and servicing water and wastewater systems for a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverage, the Group has since evolved into an integrated environmental solutions provider.

During the year, the Group has expanded its operations into the solid waste management by securing 5 contracts to supply and maintain Pneumatic Waste Conveyance System ("PWCS") for centralized domestic waste collection in Singapore in which 3 of these contracts were awarded by the Housing & Development Board. Waste management using PWCS is one of the green initiatives as part of the HDB Greenprint to create sustainable public housing in Singapore, including Bidadari, which will be rolled out eventually to other HDB towns.

Besides its strong technology fundamentals, the Group owes its success largely to a sound business model, premium services and solutions, as well as in-depth trade knowledge of its staff. These critical elements are all strategically integrated into the business through its consistent emphasis on efficiency.

Darco Water Technologies' Chief Executive Officer, Thye Kim Meng stands by his belief that efficiency is one of the Group's core strengths. To achieve higher business efficiency, the Group aims to produce water systems at the lowest cost per unit of water delivered. Darco Water Technologies pays great attention to the efficiency of its designs to enhance energy and pump efficiency. Moreover, the Group uses control systems that minimise the number of people needed to operate the plant.

Furthermore, the Group's business efficiency is also distinctly displayed in its quality maintenance services. It derives 10 to 15 percent of its income from long-term maintenance services through the service centres that it had established. These service centres are supported by its trading division, which supplies essential chemicals and other products. The focus on providing exceptional service has helped Darco Water Technologies maintain an excellent record of customer retention with 90 per cent of its customers being repeat customers.

The Group holds a strong track record for both industrial solutions and municipal applications, particularly in the industrial sector, where many of the contracts won by the Group have been secured on a 'best-offer' basis. While the Group's strength lies in its industrial water business in the electronic and semiconductor sector, its latest acquired entity, Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi") is a dominant water treatment and management specialist in the power sector. Wuhan Kaidi commands 22 years of track record supplying water and waste treatment systems, and has carried out over 600 projects to-date. Currently, it has 22 projects covering 14 provinces in China with the total contractual value of approximately RMB487.54 million.

With this acquisition, the Group has successfully expanded its business into the fast-growing China where it had become the key market for the Group, contributing to 46.0% of total Group's earnings in 2016. Leveraging on Wuhan Kaidi's track records in the wastewater treatment industry, the Group has won several major projects. This represents a strong endorsement to the Group's capability in offering state-of-art technologies.

In order to provide customers with better water solutions, the Group is collaborating with Aquaporin Asia Pte. Ltd. ("Aquaporin Asia") to jointly pilot and test-bed low-energy Zero Liquid Discharge ("ZLD") systems for industrial wastewater treatment based on the Aquaporin Inside™ Forward Osmosis Technology. The Group will use its own wastewater treatment know-how to incorporate Aquaporin Asia's Forward Osmosis membranes into

its overall system as pilot plant scale test units in application for different industries. With this, the Group has positioned themselves as a first mover within the application of the Aquaporin Inside(tm) Forward Osmosis technology and have pre-knowledge on ZLD wastewater treatment operations and applications.

Going forward, the Group plans to consolidate its operations in the markets which it has already established in and developed new markets. Darco Water Technologies is currently exploring to enter into emerging markets such as Vietnam, Myanmar and Cambodia, especially where its established customers are setting up new operations in view of the abundant growing opportunities in these regions. To this end, Wuhan Kaidi has seven ongoing overseas projects in countries, such as Indonesia, Vietnam, Turkey and India. Thus, the Group

is looking forward to further expand and penetrate into these countries.

Apart from maintaining the consistent growth in its current business, the Group intends to enhance its profitability through securing more Build-Operate-Transfer ("BOT"), Transfer-Operate-Transfer ("TOT"), Build-Operate-Own ("BOO") or Engineering, Procurement and Construction ("EPC") projects. Coupled with the financial support from the London-based asset management fund, the Group has greater ability to undertake more BOT projects. Upon completion of the placement as announced in January 2017 which would raise $3 million, the Group is equipped to pursue Public-Private-Partnership water infrastructure projects in ASEAN regions as well as to venture into the Vietnam market with the successful incorporation of Darco Environmental Vietnam Co., Ltd..

Towards this end, the Group employs an active business model to respond to the growth of its business. For instance, when demand increases, the Group will add more office and factory space, and make sure that its team is operationally ready to ensure minimal disruption to operations. Concurrently, the Group's maintenance service guarantees consistent revenue, retains key staff and ensures the continuous development of product knowledge. It also provides a pool of talent that the Group can call upon when time is right. The result of this is a business model that is well-placed to manage the business cycle.

With the Group's strong technology capabilities, together with Wuhan Kaidi's technical expertise, the Group is well-poised for the next phase of accelerated growth. The Group aims to be the preferred partner of all potential customers within the environmental protection industry.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of our Board of Directors, it is my pleasure to present our annual report for the financial year ended December 31, 2016 ("FY2016").

We are pleased that the Group delivered a satisfying set of results amidst the challenging business environment. The Group registered revenue of $60.7 million in FY2016, representing an increase of 126.6%, mainly attributable to higher contribution from the Engineered Environmental Systems ("EE Systems") of $33.2 million and trading sales of $1.5 million of revenue. With the contribution from the newly acquire entity, Wuhan Kaidi Water Services Co., Ltd. ("WHKD"), China made up 46.0% of the Group's total revenue, becoming the top contributing market of the Group. As a result, the Group recorded a net profit of $3.4 million in FY2016.

PEOPLE'S REPUBLIC OF CHINA

The acquisition of WHKD was proven to be a success and the process of post-merger integration is seamless. The acquisition of WHKD was completed on March 2016 and WHKD has contributed $27.9 million to the Group's revenue in FY2016. With the acquisition of WHKD, China has become the key market for the Group, with overall revenue contributing to 46% of total Group earnings. With its track record and established brand name, WHKD has won many contracts in China, contributing to the Group's top and bottom line.

Notably, WHKD was awarded a RMB40.9 million contract to construct Phase II 2*1000MW desulfurization zero-liquid-discharge ("ZLD") wastewater treatment system for Tianjin Power's power generating plant in North China from a well-known enterprise, Tianjin SDIC Jinneng Electric Power Co., Ltd. More significantly, this project is one of the first desulfurization ZLD wastewater treatment projects in China.

In addition, capitalising on WHKD's track records in wastewater treatment industry, WHKD won a contract worth RMB41.6 million for the expansion of a Wastewater Treatment Project (Phase I) and procurement of equipment at a chemical industrial park in Zhejiang Province as well as a RMB48.7 million contract for removing minerals from seawater to provide fresh water to the 2 x 670MW ultra-supercritical heating generators in Shandong Province.

The successful bid of these projects is of great significance to the Group's strategic plan, laying a solid foundation for the future development of the Group in China. In addition, the contracts win is a strong endorsement to the Group's capability in offering state-of-art technologies. Leveraging on WHKD's technical expertise and cost competitiveness in China, the Group is well-poised to take on more water projects and further strengthen our regional presence in the promising market of China.

In preparation for future expansion plans, the Group has acquired an office building which is located within (Wuhan Donghu Technology Development District), Hubei Province. It is a 4-storey office building with the gross area of 1,493.51 square metres and remaining lease term of approximately 45 years, which will expire on March 2061. With this building, the Group's China operations will be able to eliminate the unpredictability of rental increases and add tangible benefits to the Group in terms of value appreciation as well as improving our competitive advantage and enhance our brand image in the China market.

MALAYSIA

Revenue from Malaysia increased from $18.8 million in FY2015 to $23.6 million in FY2016, representing a growth of 25.5%. Malaysia is one of the key markets in the Group's portfolio, contributing 38.8% revenue to the Group.

The Group has successfully clinched several wastewater treatment EPC projects in Malaysia since the beginning of 2016 with a total contract value of MYR15.5 million (approximately $5.2 million) involving the construction of ammoniacal nitrogen waste water treatment system for a solar cell and nitrogenous fertilizer manufacturing plant with a total capacity of 57 m^3 per hour as well as the system upgrading of existing Engineered Water Systems to meet the customer's manufacturing expansion.

SINGAPORE

Singapore has become one of the key markets of the Group contributing to 9.0% of revenue to the Group. Revenue from Singapore increased by 71.8% to $5.5 million in FY2016 from $3.2 million in FY2015.

Chairman's Statement

Leveraging on our technical capability, we have secured 5 contracts which worth a total of $17.5 million to supply and maintain Pneumatic Waste Conveyance System ("PWCS") for centralized domestic waste collection in Singapore in which 2 of these contracts were awarded by the Housing & Development Board. Waste management using PWCS is one of the green initiatives as part of the HDB Greenprint to create sustainable public housing in Singapore, including Bidadari, which will be rolled out eventually to other HDB towns.

POISED FOR NEXT PHASE OF GROWTH

On 26 January 2017, the Group has entered into a placement agreement with Capital Boom Limited and Stone Robert Alexander ("Robert Stone") where the Group proposed to issue up to 5 million new ordinary shares at a placement price of $0.60. Upon completion of the placement, the Group can raise approximately $3 million which would be utilized for funding Public-Private-Partnership ("PPP") water infrastructure projects or investments and working capital. In light of the share placement exercise that will raise $3 million and the successful incorporation of Darco Environment Vietnam Co., Ltd., the Group is now equipped with initial capital to venture into the Vietnam market.

STRIVES TO IMPROVE BUSINESS OUTLOOK

We have always been seeking to enhance its engineering capability in the environmental protection industrial and commercial sector as well as improve the financial performance of the Group.

We are collaborating with Aquaporin Asia Pte. Ltd. ("Aquaporin Asia") to jointly pilot and test-bed low-energy ZLD systems for industrial wastewater treatment based on the Aquaporin Inside™ Forward Osmosis Technology under Aquaporin Asia's 3-year forward osmosis project. The collaboration is funded by the Singapore National Research Foundation ("NRF").

We will use our own wastewater treatment know-how to incorporate Aquaporin Asia's Forward Osmosis membranes into our overall system as pilot plant scale test units in application for different industries. With this, we have positioned ourselves as a first mover within the application of the Aquaporin Inside™ Forward Osmosis technology and have pre-knowledge on ZLD wastewater treatment operations and applications.

Besides, we also expanded our operation into solid waste management. The Group has traditionally provided suitable engineering systems for customers to meet the relevant regulatory requirements. The successful bid of these projects is in line with the Group's strategy to become a comprehensive integrated environmental protection solutions provider.

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, intensify its efforts in pursuing Public-Private-Partnership ("PPP") water projects in ASEAN regions which would generate greater revenue and profit to the Group. The growth path will be subject to the Group's ability to raise funds from the capital market. In the meantime, the Group will continue to develop our core Engineered Environmental Systems business, water management and trading services in the industrial sector.

ACKNOWLEDGEMENTS

I would like to extend a warm welcome to Mr. Teh Chun Sem, who joined us as Financial Controller on 31 May 2016. He will be responsible for overseeing the Group's financial, account matters and risk function. Mr Teh has approximately 8 years of working experience in audit firm. He served as Audit Assistant Manager in audit firm before joining the Group. With Mr. Teh's wealth of experience and knowledge in audit, we believe that he will be able to provide valuable insights and guidance to the Group.

Besides, I would also like to welcome Mr. Oh Chee Sien and Mr. Wang Yaoyu who joined us as the Independent Director and Executive Director respectively on 13 September 2016. Mr. Oh was also appointed as Member of Audit Committee, Remuneration Committee and Nominating Committee. They have more than 10 years of experience in the wastewater treatment industry. Prior to joining the Group, Mr. Oh was the Chief Financial Officer of Moya Holdings Asia Limited while Mr. Wang has served WHKD, Asia Water Technology Ltd. and SIIC Environment Holdings (Wuhan) Co., Ltd.

The Board would like to thank Mr. Tan Sze Leng and Mr. Yeoh Kim Kooi for their contributions during their term of service as the Chief Financial Officer and Group Financial Controller of the Company and wishes them success in their future endeavours.

Last but not least, my utmost gratitude goes to our customers, employees, management, and shareholders for placing great confidence and trust in us throughout the years. Without their unwavering support and patronage, we would not be able to reach this far. We will approach 2017 with determination while remain prudent to the prevailing business environment.

THYE KIM MENG
Chairman and Managing Director

Board of Directors

THYE KIM MENG
Malaysian, Aged 64
Chairman, Managing Director and Chief Executive Officer

MR. THYE KIM MENG is responsible for the general management, overall strategic planning and direction of our Group. He was appointed to the Board of Directors of the Company on 13 October 2001. Mr. Thye has more than 27 years of experience in design engineering applications in the field of water purification and wastewater treatment facilities, having served as Managing Director of Wheelabrator Engineered Systems (S) Pte Ltd, Vice-President (ASEAN, Business Development) of Wheelabrator Water Technologies (S) Pte Ltd and Senior Director/Technical Consultant with U.S. Filter (Asia) Pte Ltd and Darchet Engineering & Water Treatment Pte Ltd. Mr. Thye graduated from the Polytechnic of Wolverhampton, England with a Bachelor of Science in Mechanical Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

HEATHER TAN CHERN LING
Singapore Permanent Resident, Aged 36
Executive Director (Process Engineering and Design)

MS. HEATHER TAN was appointed as an Executive Director (Finance) of our Company on 25 May 2006 and is currently a member of the Audit Committee.

Apart from coordinating legal matters for the Company, Ms. Tan undertakes a new portfolio as the Director of Finance and Corporate Affairs. She is responsible for fundraising related matters including strategic planning for the Company. She provides support for the development and implementation of the Company's governance practices, as well as audit related matters.

Ms. Tan graduated from the University of Melbourne in Chemical Engineering. She has a Western Mining Corporation award for excellence in Process Engineering. Obtaining a place on the Dean's Honours role, she has a publication in her name in the Journal of Applied Polymer Science for her research efforts on polymerization kinetics. Prior to joining Darco she held a short-term position as a researcher with Orica Adhesives and Resins in Australia.

WANG YAOYU
Aged 60
Executive Director

MR. WANG YAOYU was appointed as the Executive Director of our Company in 13 September 2016. He is currently the Chairman of Wuhan Kaidi Water Service Company. He is responsible for formulating strategic direction and policy and responsible for the profit and loss of a major subsidiary. Mr. Wang has more than 15 years of experience in the wastewater treatment industry. He was the Executive Director of Asia Water Technology Ltd. and Director of SIIC Environment Holdings (Wuhan) Co., Ltd.

Mr. Wang graduated from Hefei University of Technology with a Degree in power plant and electric power system in 1982.

TAY LEE CHYE LESTER

Singapore Citizen, Aged 43

Lead Independent Director

MR. TAY LEE CHYE LESTER was appointed as the Lead Independent Director of our Company on 23 April 2015. He is currently the Chairman of the Remuneration and Nominating Committee and a member of the Audit Committee. He has approximately 20 years of experience in accounting, audit, financial advisory and fund management. He is the Chief Executive Officer at Rockstead Capital Group since 2007. Prior to that, he was the Chief Financial Officer of Asia Water Technology Ltd from 2004 to 2007. He graduated from Nanyang Technological University with degree in Accountancy in 1998. He was awarded Nanyang Outstanding Young Alumni Award Recipient in 2007. He is a member of the Institute of Singapore Chartered Accountants.

TAY VON KIAN

Singapore Permanent Resident, Aged 45

Independent Director

MR. TAY VON KIAN was appointed as an Independent Director of our Company on 14 August 2015. He is currently the Chairman of the Audit Committee, member of the Remuneration Committee and Nominating Committee. He has approximately 18 years of working experience in corporate fund raising. He is currently undertaking a finance role with an education company. Prior to that, he has had working stints in the Corporate Finance units of banks and securities firm. Mr. Tay graduated from Macquarie University, Sydney with a Bachelor of Commerce (Accounting) with Bachelor of Laws degrees. He was admitted as Solicitor in the New South Wales, Australia and was called to the Malaysian Bar in 1997. He is also currently a member of CPA Australia.

OH CHEE SIEN

Singapore Citizen, Aged 41

Independent Director

MR. OH CHEE SIEN was appointed as an Independent Director of our Company on 13 September 2016. He is also currently the Member of Audit Committee, Remuneration Committee and Nominating Committee. He has approximately 10 years of working experience in the wastewater treatment industry. Prior to joining Darco, Mr. Oh was the Chief Financial Officer of Moya Holdings Asia Ltd.

Mr. Oh graduated with a Bachelor of Accountancy (Honours) from the Nanyang Technological University of Singapore. He is a member of the Institute of Singapore Chartered Accountants (ISCA).

Key Management

TEH CHUN SEM
Aged 30
Financial Controller

MR. TEH CHUN SEM was appointed as the Financial Controller on 31 May 2016. He is responsible for overseeing the Group's financial, account matters and risk function. Mr. Teh has approximately 8 years of working experience in audit industry serving various clients from diverse industries including trading, engineering, education and manufacturing. Prior to joining Darco, he was the Audit Assistant Manager at BDO LLP.

Mr. Teh hold ACCA Professional Qualification with Association of Chartered Certified Accountants of the United Kingdom. He is a non-practising member of the Institute of Singapore Chartered Accountants and a member of Association of Chartered Certified Accountants.

THYE KIM FAH
Aged 66
General Manager

MR. THYE KIM FAH is the General Manager of Darco Water Systems Sdn. Bhd ("DWS"), responsible for DWS's overall management and operations of DWS in relation to our business in the central and southern regions of Peninsula Malaysia. He is also a key player in formulating the corporate strategies and charting new directions and goals for DWS. He has over 20 years of experience in water purification treatment business. Mr. Thye attained a Cambridge General Certificate of Education at the Ordinary Level. He is the elder brother of Mr. Thye Kim Meng, who is the Managing Director and Chief Executive Officer of the Company.

Operations Review

INCOME STATEMENT REVIEW

Revenue increased 126.6% year-on-year ("yoy") from $26.8 million in FY2015 to $60.7 million in FY2016.

SEGMENTAL CONTRIBUTION

Revenue from Engineered Environmental Systems ("EE Systems") surged 505.8% yoy to $39.7 million for FY2016, mainly due to contributions of $26.7 million from WHKD as well as more projects secured and performed by the subsidiaries in Singapore and Malaysia.

Revenue from Water Management Services ("WM Services") decreased 6.0% yoy to $11.0 million in FY2016, as a result of lower after-sales services performed during the financial year. Sales from the trading segment increased by $1.5 million from $8.5 million in FY2015 to $10.0 million in FY2016, mainly attributable to the contribution of $1.1 million from WHKD.

GEOGRAPHICAL CONTRIBUTION

Malaysia, China and Singapore are the main markets of the Group which contributed 93.8% of the total Group's revenue. With the acquisition of WHKD, revenue from China contributed to 46.0% of total FY2016 revenue as compared to only 3.0% in FY2015.

Gross profit increased 80.4% to $13.9 million largely due to contribution from WHKD of $6.3 million. The gross profit margin decreased from 28.7% in FY2015 to 22.9% in FY2016 as the Group had to secure more projects at lower margin in order to maintain competitiveness in China and Malaysia.

Other income increased by $3.9 million to $4.7 million in FY2016 mainly attributable to the gain on bargain purchase arising from business combination, increase in income in the form of government grants received by the China subsidiary for the defraying of research and development costs as well compensation income from the supplier in China for the failure in fulfilling the supplier contract.

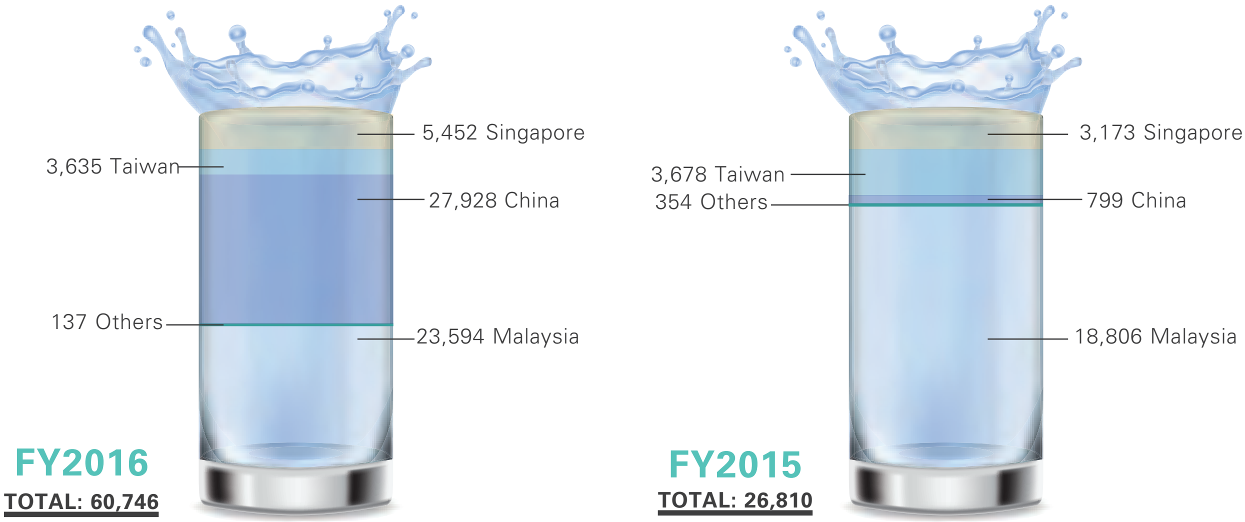
The Group's marketing and distribution expenses increased from $0.3 million in FY2015 to $1.5 million in FY2016 mainly due to inclusion of expenses relating to WHKD amounted $1.1 million.

SEGMENTAL REVENUE CONTRIBUTION (CONTINUING OPERATIONS)

	Year ended 31 Dec 2016 ($'000)	Year ended 31 Dec 2015 ($'000)
Engineered Environmental Systems	39,710	6,555
Water Management Services	11,004	11,707
Trading Sales	10,032	8,548
Consolidated	60,746	26,810

Operations Review

GEOGRAPHICAL REVENUE CONTRIBUTION ($'000) (CONTINUING OPERATIONS)



Administrative expenses which comprised mainly of staff salary, professional fees, rental and other operating expenses, increased from $7.8 million in FY2015 to $13.2 million in FY2016. This was mainly due to the $3.5 million of administrative expenses from WHKD, which comprised mainly of payroll expenses, depreciation and amortisation cost, rental and other micellaneous expenses.

As a result of the above, the Group registered a net profit of $3.4 million in FY2016, as compared to a loss of $0.8 million in FY2015.

Current assets of $53.4 million as at 31 December 2016 mainly comprised of trade and other receivables of $44.0 million and cash and bank balances of $8.2 million.

Non-current assets of $16.9 million as at 31 December 2016 largely comprised of intangible assets of $9.5 million, property, plant and equipment of $7.1 million and deferred income tax assets of $0.3 million.

Current liabilities of $34.1 million as at 31 December 2016 comprised of trade and other payables of $30.7 million, borrowings of $2.8 million and income tax payable of $0.6 million.

Non-current liabilities of $1.9 million as at 31 December 2016 comprised mainly deferred income tax liabilities of $1.0 million and borrowings of $0.9 million.

Shareholders' equity increased from $17.8 million in FY2015 to $34.4 million in FY2016.

Net cash used in operating activities was $1.8 million in FY2016, compared to cash outflow of $4.4 million in FY2015.

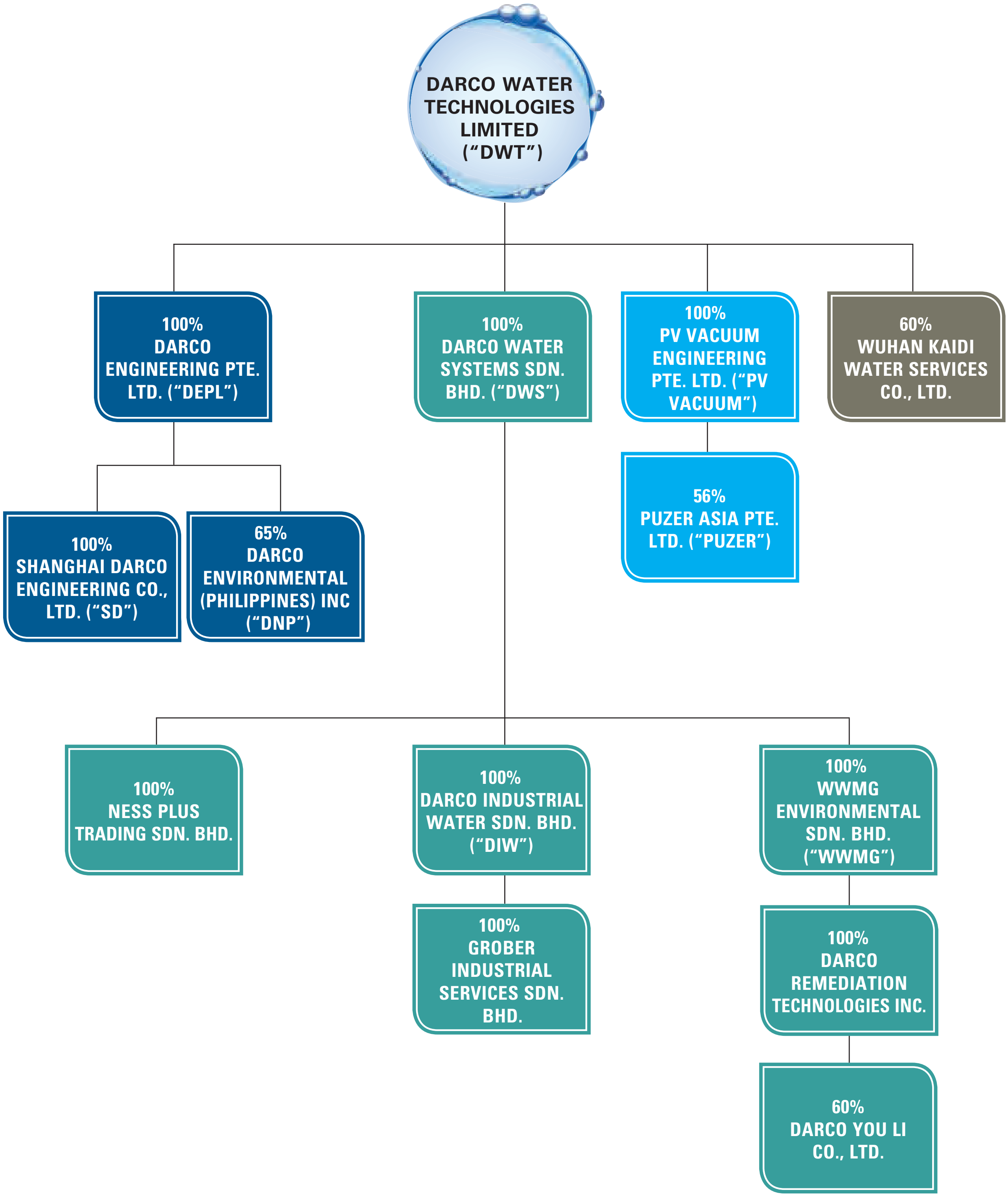
Net cash used in investing activities was $1.0 million in FY2016, compared to cash inflow of $0.4 million in FY2015.

This is mainly used in the purchase of property, plant and equipment amounting to $2.2 million. This is partially offset by the net cash inflow from the acquisition of the new subsidiary, WHKD, amounting to $1.2 million.

Cash flow from financing activities decreased from $4.2 million in FY2015 to $0.4 million in FY2016.

The Group cash and cash equivalents as at 31 December 2016 stands at $5.5 million.

Group Structure



Corporate Information

BOARD OF DIRECTORS

THYE KIM MENG
(Chairman, Managing Director and Chief Executive Officer)

HEATHER TAN CHERN LING
(Executive Director)

WANG YAOYU
(Executive Director)

TAY LEE CHYE LESTER
(Non-Executive Lead Independent Director)

TAY VON KIAN
(Non-Executive Independent Director)

OH CHEE SIEN
(Non-Executive Independent Director)

AUDIT COMMITTEE

Tay Von Kian (Chairman)
Tay Lee Chye Lester
Heather Tan Chern Ling
Oh Chee Sien

NOMINATING COMMITTEE

Tay Lee Chye Lester (Chairman)
Tay Von Kian
Oh Chee Sien

REMUNERATION COMMITTEE

Tay Lee Chye Lester (Chairman)
Tay Von Kian
Oh Chee Sien

COMPANY SECRETARY

Shirley Tan Sey Liy (ACIS)

REGISTERED OFFICE

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#01-03
Singapore 739175
Tel: (65) 6363 3886
Fax: (65) 6362 2355

REGISTRAR AND SHARE TRANSFER OFFICE

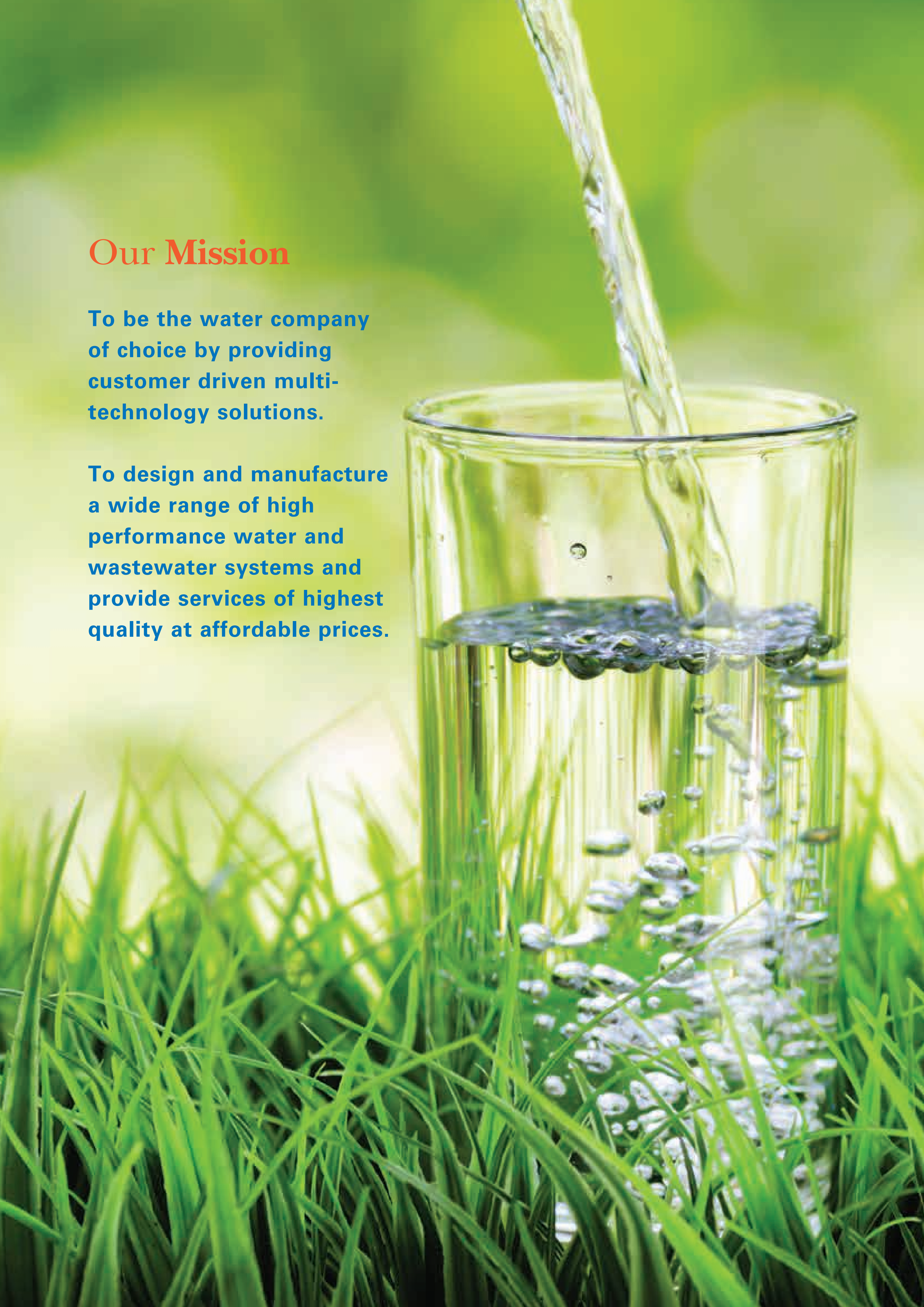
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore
8 Shenton Way
#05-01, AXA Tower
Singapore 068811

Partner-in-charge: Alfred Cheong Keng Chuan
(appointment effective from financial year
ended 31 December 2014)

Our Regional **Presence**



Our **Mission**

To be the water company of choice by providing customer driven multi-technology solutions.

To design and manufacture a wide range of high performance water and wastewater systems and provide services of highest quality at affordable prices.

Corporate Governance Report

Darco Water Technologies Limited (the "**Company**") and its Subsidiaries (collectively known as the "**Group**") are committed to maintaining a high standard of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

The Company has established various self-regulating and monitoring mechanisms for effective corporate governance in discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

This report describes the Company's corporate governance processes and structures that were in place throughout the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles and guidelines of the Code which forms part of the continuing obligations of the SGX-ST Listing Manual.

Steps have been taken, as far as practicable, towards continued compliance to the principles and guidelines with the recommendations in the Code, taking into account the size of the Group's business and organization structure, and the Board of Directors (the "**Board**") is pleased to report on the Company's efforts to adhere to the principles and guidelines as set out in the Code for FY2016. Where there are areas of non-compliance, the reasons have been set out in the following sections of the corporate governance report.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board's key responsibilities include providing entrepreneurial leadership and supervision to the Management of the Company and the Group with a view to protect shareholders' interests, enhance long-term shareholders' value and safeguard the Company's assets.

The Board's principal responsibilities are to:

(a) guide the formulation of the Group's overall long term strategic objectives and directions through entrepreneurial leadership, including setting the Group's policies and strategic plans and monitor achievement of these corporate objectives;

(b) establish goals for management and monitor the achievement of these goals;

(c) ensure management leadership of high quality, effectiveness and integrity; and

(d) review internal controls, risk management, financial performance and reporting compliance.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the best interests of the Company.

Corporate Governance Report

To assist the Board in the execution of its responsibilities, the Board is supported by three key board committees namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (collectively, "**Board Committees**"), which are delegated with specific responsibilities. The Board Committees operate within clearly defined terms of reference or scope and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

The Board will meet as and when required to approve matters relating to announcements of financial results, annual report, material acquisitions and disposals of assets.

At the meetings of the Board and Board Committees, the Directors are free to discuss and openly challenge the views presented by the Management and the other Directors. The decision making process is an objective one.

The Board conducts meetings at least twice annually. In lieu of physical meetings, written resolutions were also circulated for approval by the members of the Board. Meetings via telephone conference are permitted by the Company's Constitution.

The attendances of the Directors at the formal Board meetings and Board Committees meetings held during FY2016, with the Company Secretary in attendance, are as follows:

	Board	Board Committees		
		AC	RC	NC
No. of meetings held	3	3	1	1
Directors				
Thye Kim Meng	3	2*	1*	1*
Heather Tan Chern Ling	3	3	1	1
Wang Yaoyu[(1)]	–	–	–	–
Tay Lee Chye Lester	3	2	1	1
Ross Yu Limjoco[(2)]	2	1	1	1
Tay Von Kian	3	3	1	1
Oh Chee Sien[(3)]	–	1	–	–

Notes:

(1) Mr. Wang Yaoyu was appointed as an Executive Director on 13 September 2016

(2) Mr. Ross Yu Limjoco retired as an Independent Director on 20 April 2016

(3) Mr. Oh Chee Sien was appointed as an Independent Director on 13 September 2016

* By Invitation

Corporate Governance Report

The Board has first adopted the Group Charter in FY2003 and is undergoing continuous updates and review by the Board. The Group Charter sets out the Group's internal guidelines for material contracts and investments exceeding specified amounts. This Group Charter also forms part of our Group's risk management process, which ensures that all contracts entered into, and investments made by the Group, of a material contract sum are approved by the appropriate levels of Management, up to the Board level.

The Board has adopted a set of internal guidelines setting forth matters that require Board approval. The Board has identified the following areas for which the Board has direct responsibility for decision making within the Group:

- Approval of the Group's major investments / divestments and funding decisions;
- Approval of the Group's half-year and full-year financial result announcements for release to the SGX-ST;
- Approval of any agreement which is not in the ordinary course of business;
- Approval of any major borrowings or corporate guarantees in relation to borrowings;
- Entering into any profit-sharing arrangement;
- Entering into any foreign exchange hedging transactions;
- Incorporation or dissolution of any subsidiary;
- Issuance of shares or declaration of dividends;
- Approval of the annual report and audited financial statements;
- Convening of general meetings;
- Approval of corporate strategies;
- Approval of material acquisitions and disposal of assets; and
- Approval of announcements or press releases concerning the Group for release to the SGX-ST.

In FY2016, the Company, through its Company Secretary, has updated the Board on relevant new laws and regulations affecting the Company. From time to time, and through Board meetings and other meetings, both formal and informal, our Chief Executive Officer ("**CEO**") has been advising our Directors of the changing commercial and business risks faced by our Company.

The Directors are also updated regularly with changes to the SGX-ST Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board by the Company Secretary.

For FY2016:–

(1) The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company; and

(2) The external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Corporate Governance Report

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business. Newly appointed Directors, in particular first time directors of a public listed company in Singapore receive appropriate training, if required.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and / or the Directors in discharging their duties.

All new Directors shall be provided with background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. The Company will provide a formal letter to newly appointed Directors upon their appointment explaining their statutory duties and responsibilities as Directors.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises three Executive Directors and three Independent Directors. Guideline 2.2 of the Code is met as at least half of the Board members are independent when the Chairman and the CEO is the same person. Together, the Directors bring a wide range of business and financial experience relevant to the Group.

Name of Directors	Board	AC	NC	RC
Thye Kim Meng	Chairman, Managing Director and CEO	–	–	–
Heather Tan Chern Ling	Executive Director	Member	–	–
Wang Yaoyu(1)	Executive Director	–	–	–
Tay Lee Chye Lester	Lead Independent Director	Member	Chairman	Chairman
Tay Von Kian	Independent Director	Chairman	Member	Member
Oh Chee Sien(2)	Independent Director	Member	Member	Member

Notes:

(1) Appointed as an Executive Director on 13 September 2016.

(2) Appointed as Independent Director on 13 September 2016.

While the Chairman, Mr. Thye Kim Meng is part of the Management team and is not considered independent, there is presently a strong and independent element on the Board as half of the Board comprises of Independent Directors.

Corporate Governance Report

The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The NC has reviewed and determined that the Independent Directors, namely Mr. Tay Von Kian, Mr. Tay Lee Chye Lester and Mr. Oh Chee Sien are independent in accordance with the Code and are able to exercise independent judgement.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interest of the Group.

The Independent Directors participate actively during Board meetings. The Company has benefited from the Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Independent Directors communicate amongst themselves and have direct access to the Company's auditors and Senior Management.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment up till 31 December 2016.

The NC has reviewed the size and composition of the Board. The NC and the Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations. There are no Directors whom are independent, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The Board members provide a range of core competencies in accounting, finance, business management experience and industry knowledge that provide effective governance and stewardship for the Group.

The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

	Number of Directors
Core Competencies	
– Accounting and / or finance	3
– Relevant industry knowledge or experience	3
Gender	
– Male	5
– Female	1

Independent Directors exercise no Management functions in the Group. The role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance.

Corporate Governance Report

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual represents a considerable concentration of power.

Although the Code states that the roles of the Chairman and the CEO should in principle be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the Board is of the view that it is in the best interests of the Company to adopt a single leadership structure so as to facilitate decision making. The roles of the Chairman and the CEO are assumed by one of the Executive Directors, Mr. Thye Kim Meng, who also holds the position of Managing Director.

The Board believes that the scope of our business and the structure of our organization does not warrant the additional costs which will be incurred in the appointment of a third party as Chairman of the Board or a meaningful split of the position of Chairman and Managing Director / CEO.

The responsibilities of the Chairman include:

- Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
- Ensuring the Group's compliance with the Code; and
- Acting in the best interests of the Group and shareholders.

The Chairman is guided by recommendations provided by the Company Secretary, the Chairman of the AC, NC, RC and the Company's Financial Controller.

The Company is in compliance with the Guideline 3.3 of the Code where the Board had appointed Mr. Tay Lee Chye Lester as the Lead Independent Director on 23 April 2015 to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Financial Controller has failed to resolve or where such communication is inappropriate.

When necessary, the Company co-ordinates informal meetings for Independent Directors to meet without the presence of the Executive Directors and / or the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. Led by the Lead Independent Director, the Independent Directors meet amongst themselves without the presence of the other Directors where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Corporate Governance Report

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC comprises three Independent Directors, including the Chairman who is independent and not associated in any way with the substantial shareholders of the Company.

Nominating Committee

Mr. Tay Lee Chye Lester (Chairman)
Mr. Tay Von Kian
Mr. Oh Chee Sien

Mr. Tay Lee Chye Lester was appointed as the Chairman of the NC on 20 April 2016 and Mr. Oh Chee Sien was appointed as the member of the NC on 13 September 2016.

Based on the NC's written terms of reference approved by the Board, the principal functions of the NC are to:

- Review on an annual basis the terms of reference of the NC, composition of the NC and the size of the Board with a view to determining the impact of the number upon effectiveness;
- Review on an annual basis the required expertise of the Directors to ensure that the Directors have the adequate relevant competencies to discharge their respective functions, and to ensure that there is balance in competencies;
- Assess the effectiveness of the Board as a whole;
- Review and make recommendations on all nominations for appointments and all re-nomination / re-election of Directors; and
- Determine the Directors' independence on an annual basis.

In selecting and appointing new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC will, at least once every year, review and thereafter, make recommendations to the Board regarding the Board structure, size, composition and core competencies. When required, the NC will review and make recommendations to the Board on all candidates nominated for appointment to the Board, after taking into account the candidate's track record, experience, capabilities and other relevant factors. The NC may engage consultants to undertake research on or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting ("**AGM**").

The NC, in considering the re-appointment of any Director, had considered but not limited to attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possesses which are crucial to the Group's business.

Corporate Governance Report

In accordance with the Constitution of the Company, all Directors shall retire at every AGM and all new Directors appointed by the Board will have to retire at the next AGM following their appointments (such Director shall then be eligible for re-election at that AGM).

The NC has assessed and recommended that Mr. Thye Kim Meng, Ms. Heather Tan Chern Ling, Mr. Wang Yaoyu, Mr. Tay Lee Chye Lester, Mr. Tay Von Kian and Mr. Oh Chee Sien (collectively, the "**Retiring Directors**"), be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election at the forthcoming AGM.

In reviewing the nomination of the Retiring Directors, the NC considered the performance and contribution of each of the Retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs.

Mr. Tay Lee Chye Lester, Mr. Tay Von Kian and Mr. Oh Chee Sien, being the members of the NC who are retiring at the AGM abstained from voting on the resolution in respect of their re-nomination as a Director of the Company.

The NC conducted an annual review of Directors' independence and based on the definition of independence as set out in the Code, the NC is of the view that Mr. Tay Lee Chye Lester, Mr. Tay Von Kian and Mr. Oh Chee Sien are considered independent.

Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board focus on whether a Director has sufficient time to adequately discharge his / her duties as a Director of the Company. The NC and the Board will review the requirement from time to time to determine the maximum number of listed Board representations to ensure that Directors are able to meet the demands of the Group and are able to discharge their duties adequately. As of the date of this report, none of the Directors sit on board of other listed companies.

There is no alternate director being appointed to the Board.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, Directorships or Chairmanships both present and past held over the preceding three years in other listed companies, their principal commitments and whether the appointment is executive or non-executive are set out in page 40 of the Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. Each Director was required to complete a Board evaluation form adopted by the NC, which will be collated by the NC Chairman for review and assessment before tabling to the Board for discussion.

The NC focuses on a set of criteria which include the evaluation of the size and composition of the Board, the Board's access to information, Board process and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standard of conduct in assessing the Board's performance as a whole.

Corporate Governance Report

The NC reviews and assesses the effectiveness of the Board as a whole. The NC has reviewed and assessed the effectiveness of the Board based on the criteria approved by the Board. The NC is of the opinion that each member of the Board has been effective during FY2016 as a result of the active participation of each Board member during each meeting. No external facilitator was used during the evaluation process in FY2016.

The NC had adopted the evaluation form for assessing the effectiveness of the Board Committees with effect from FY2016.

An evaluation of the effectiveness of the Board and Board Committees is conducted annually to identify areas of improvement and as a form of good Board management practice. The results of the evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively.

The NC, having reviewed the overall performance of the Board and Board Committees is of the view that the performance of the Board and Board Committees has been satisfactory and met its performance objectives for FY2016.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2016 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is furnished with board papers prior to any Board meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meetings, financial results announcements, and reports from the Board Committees, internal auditors and external auditors, including related materials, background or explanatory information relating to matters to be brought before the Board.

The members of the Board have independent access to the Management and the Company Secretary and are provided with adequate background information prior to Board meetings. The Management has taken a pro-active approach of informing the Directors on a timely basis of important corporate actions to be taken by the Company and events that will affect the Company, although such developments may not require the approval of the Board.

The Company Secretary or her representative administers, attends and prepares minutes of the Board meetings and Board Committees meetings and assists the Chairman of the Board and / or the AC, NC and RC in ensuring proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

The members of the Board may seek the advice of independent professional advisers, the cost of which will be borne by the Company.

Corporate Governance Report

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises three Independent Directors.

Remuneration Committee

Mr. Tay Lee Chye Lester (Chairman)
Mr. Tay Von Kian
Mr. Oh Chee Sien

Mr. Tay Lee Chye Lester was appointed as the Chairman of the RC on 20 April 2016 and Mr. Oh Chee Sien was appointed as a member of the RC on 13 September 2016.

The RC recommends to the Board a framework of remuneration for the Directors and key executives of the Group and specific remuneration packages for each Executive Director and the Managing Director.

The RC is regulated by its terms of reference and its key functions include:

- Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;
- Reviewing and recommending to the Board the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired;
- Considering the various disclosure requirements for Directors' remuneration, particularly those required by regulatory bodies such as SGX-ST and to ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties;
- Overseeing the award of share options and the payment of fees to Non-Executive Directors and to ensure, as far as is possible, that the quantum commensurate with the Non-Executive Directors' contribution to the Board and the Company; and
- Retaining such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactory.

Non-Executive Directors are paid fixed fees as Directors' fees. The Directors' fees are subject to shareholders' approval at the AGM.

Each Director shall abstain from voting on any resolution and making any recommendation and / or participating in any deliberation in respect of their own remuneration package.

Corporate Governance Report

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. The Company did not engage any remuneration consultants during FY2016.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

The RC takes into account performance related elements for the remuneration and performance measures for Executive Directors. The remuneration of the Executive Directors is based on service agreements, and the remuneration packages are also designed to align the Directors' interests with those of minority shareholders.

The Independent Directors are paid Directors' fees of an agreed amount for their effort and time spent, responsibilities and contribution to the Board, based on the remuneration rates of comparable companies listed on Mainboard of the SGX-ST and their remuneration are subject to shareholders' approval at the AGM.

The Company had adopted the Darco Performance Share Plan ("**Share Plan**") for executive personal and Directors. The RC and Performance Share Plan Committee ("**PSP Committee**") are responsible for the overview and administration of the Share Plan in accordance with the Rules of the Share Plan.

During FY2016, the Company has not granted any share options to the Executive Directors, Non-Executive Directors and employees under the Share Plan. More details of the Share Plan are set out under the Corporate Governance Report in pages 30 to 32 of this Annual Report.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Corporate Governance Report

Disclosure of Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

The breakdown of each Director's annual remuneration for FY2016 is set out below:

Remuneration Bands & Name of Directors	Salaries, including CPF	Variable Bonus	Director's Fees	Total
Between $250,000 to $500,000				
Thye Kim Meng	70%	–	30%	100%
Below $250,000				
Heather Tan Chern Ling	83%	–	17%	100%
Wang Yaoyu[(1)]	99%	1%	–	100%
Tay Lee Chye Lester	–	–	100%	100%
Tay Von Kian	–	–	100%	100%
Oh Chee Sien[(2)]	–	–	100%	100%
Ross Yu Limjoco[(3)]	–	–	100%	100%

Notes:

(1) Mr. Wang Yaoyu was appointed as an Executive Director on 13 September 2016.
(2) Mr. Oh Chee Sien was appointed as an Independent Director on 13 September 2016.
(3) Mr. Ross Yu Limjoco retired as an Independent Director on 20 April 2016.

The remuneration of the top five key management personnel (who are not Directors or the CEO of the Company) whose remuneration fell within the following ranges for FY2016 are as follows:

Remuneration Bands & Name of Key Management Personnel	Salaries, including CPF	Variable Bonus	Others	Total
Between $250,000 to $500,000				
David Heng	38%	34%	28%	100%
Below $250,000				
Thye Kim Fah	93%	7%	–	100%
Tan Sze Leng[(1)]	100%	–	–	100%
Yeoh Kim Kooi	100%	–	–	100%
Teh Chun Sem[(2)]	100%	–	–	100%

Notes:

(1) Mr. Tan Sze Leng resigned as the Chief Financial Officer on 31 May 2016.
(2) Mr. Teh Chun Sem was appointed as a Financial Controller on 31 May 2016.

Corporate Governance Report

For FY2016, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to approximately $479,000.

There were no terminations, retirement or post-employment benefits granted to Directors, the CEO and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2016.

The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

Performance Conditions	**Short-term Incentives** (such as performance bonus)	**Long-term Incentives** (such as the Darco Performance Share Plan)
Qualitative	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices	1. Current market and industry practices

Immediate Family Members of Directors or CEO

Save as disclosed below, none of the Directors or Executive Officers are related by blood or marriage to one another nor are they related to any of the Substantial Shareholders of the Company.

Mr. Thye Kim Fah is the brother of Mr. Thye Kim Meng (the Chairman, Managing Director and CEO of the Company), and Mr. Thye Ze Pin is the nephew of Mr. Thye Kim Meng. Save as aforementioned, no employee, are immediate family members of a Director or the CEO earned more than $50,000 during the year under review.

Details of remuneration paid to the immediate family members of Directors or CEO of the Company for FY2016 are as follows:

Name of Immediate Family Member	**Salaries, including CPF**	**Variable Bonus**	**Total**
Between $50,000 to $100,000			
Thye Kim Fah	93%	7%	100%
Thye Ze Pin	90%	10%	100%

In view that remuneration matters are confidential and commercially sensitive, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of each individual Director, CEO, and the top five key management personnel (who are not directors nor CEO) in the Annual Report. The Board is of the opinion that the information disclosed in the Annual Report strikes an appropriate balance between detailed disclosure and confidentiality.

Corporate Governance Report

Senior management remuneration is consistent and comparable with market practice by reviewing and considering such remuneration components against those of comparable companies.

On 6 November 2014, Shareholders approved the Share Plan as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and Directors. The Share Plan was approved to provide an opportunity for participants who have contributed and who may continue to contribute significantly to the growth and performance of the Group to participate in the equity of the Company in accordance with the rules of the Share Plan. The employees who are confirmed full-time employees of the Company and / or its subsidiaries, Directors of the Company and its subsidiaries (including Non-Executive Directors) and Directors and employees of an associated company where the Company has control over the associated company are eligible to participate in the Share Plan. The controlling shareholders and / or associates of controlling shareholders are not eligible to participate in the Share Plan.

Share Plan

The Share Plan is administered by the RC. To date, no Shares have been granted under the Share Plan. Please refer below for a summary of the Share Plan based on Circulars to Shareholders dated 21 October 2014.

The Awards granted under this Share Plan will be determined at the sole discretion of the PSP Committee, which will oversee and administer the Share Plan. In considering the grant of an Award to a Participant, the PSP Committee shall take into account (where applicable) criteria such as the grade level, scope of responsibilities, contribution, performance, years of service and potential for future development of the Participant.

Eligibility:

Persons who are eligible to participate in the Share Plan must be:

(i) Employees who are confirmed full-time employees of the Company and / or its Subsidiaries who have attained the age of 21 years on or before the Date of Grant;

(ii) Directors of the Company and its Subsidiaries (including Non-Executive Directors); or

(iii) Directors and employees of an Associated Company where the Company has control over the Associated Company, who, in the opinion of the PSP Committee, have contributed or will contribute to the success of the Group. Persons who are Controlling Shareholders and / or Associates of Controlling Shareholders are not eligible to participate in the Share Plan.

Size of the Share Plan

The number of Shares to be awarded to each participant in accordance with the Share Plan shall be determined at the absolute discretion of the PSP Committee, which shall take into account criteria such as the grade level, scope of responsibilities, performance, years of service, potential for future development of the participant, contribution to the success of the Group and the extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period.

Corporate Governance Report

Pursuant to the Listing Manual of the SGX-ST:

The total number of Shares which may be available pursuant to the Awards granted under the Share Plan, when aggregated with the aggregate number of Shares available under any other share-based schemes of the Company, shall not exceed 15% of the total issued Shares of the Company (excluding Treasury Shares) from time to time.

Duration

The Share Plan shall continue in force at the discretion of the PSP Committee, subject to a maximum period of 10 years commencing on the date on which the Share Plan is adopted by the Company in a general meeting, provided always that the Share Plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Share Plan, any Awards made to participants prior to such expiry or termination will continue to remain valid.

Entitlement to Awards

The selection of a participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Share Plan shall be determined at the absolute discretion of the PSP Committee, which shall take into account criteria such as, *inter alia*, the grade level, scope of responsibilities, performance, years of service and potential for future development, contribution to the success of the Group and the extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period.

Details of Awards

The PSP Committee shall decide, *inter alia*, at its sole discretion, the following:

(i) the Participant;

(ii) the Date of Grant;

(iii) the performance period;

(iv) the number of Shares which are the subject of the Award;

(v) the performance target(s) which shall be set according to the specific roles of each Participant, and which may differ from participant to participant;

(vi) the prescribed vesting period(s);

(vii) the release schedule; and

(viii) any other condition which the PSP Committee may determine in relation to that award, including any restrictions against the disposal or sale of and / or other dealings in the Shares by the participant.

Corporate Governance Report

Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon the PSP Committee being satisfied that the Participant has achieved the performance target(s) set forth by the PSP Committee, and the PSP Committee shall have the absolute discretion to determine the extent to which the Shares under that award shall be released on the prescribed performance target(s) being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period and in making any such determination, the PSP Committee shall have the right to make reference to the audited results of the Company or the Group, as the case may be, to take into account such factors as the PSP Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the PSP Committee decides that a changed performance target(s) would be a fairer measure of performance.

ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board will provide shareholders with a balanced and understandable assessment of the Company's performance, financial position and prospects on a half-yearly basis, and make announcements of price sensitive information to shareholders when necessary, and where required by the regulators.

The Board will take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

The Management is accountable to the Board, and provides members of the Board with a balanced and understandable account of the Company and its subsidiaries performance, financial position and prospects on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that the internal control system provides reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Corporate Governance Report

The Board, having considered various factors, including the aforementioned system of internal controls currently in place, the number of offices and factories the Group has, the nature and complexity of its operations as well as cost-effectiveness, the Group currently has not set up the Enterprise Risk Management programme and a separate internal audit function but has outsourced this function to an external international auditing firm. Going forward, the AC will consider the assessment and monitoring of the adequacy and effectiveness of the Group's internal controls via Control Self-Assessment ("**CSA**") to be performed by the Management annually. Also, the AC shall continue to outsource the internal audit function, and have the internal auditor review the CSA, when implemented, to enhance the system of internal controls.

The Board and Management assume the responsibility of the risk management function. The Management is responsible for designing, implementing and monitoring the risk management and internal control systems within the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Any significant matters are highlighted to the Board and the AC for their deliberation.

In addition, the AC will review the Group's internal controls and risk management practices annually, taking into consideration the risks to which the business is exposed to, the likelihood of the occurrence of such risks and the cost of implementing mitigating controls.

The Board, together with the Management, shall be actively engaged in strategic transactions and corporate right-sizing exercises. The internal re-organization will include an internal control review to ensure proper delegation of authorities and accountability in order to exercise management controls over the operations.

Other than certain improvements as highlighted by the internal auditor report the Group has in place a system of internal controls that address financial, operational, compliance and information technology risks to safeguard shareholders' investment and the Group's assets. The internal controls maintained by the Management are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and practices, and the identification and containment of operational and business risks.

The CEO and the Financial Controller had provided written assurance to the Board that:

(a) The financial records have been properly maintained and the financial statements for FY2016 give a true and fair view of the Company's operations and finances; and

(b) The Group's risk management and internal control systems are adequate and effective given its current business environment.

Based on the internal controls established and maintained by the Group, the audits conducted by the external and internal auditors as well as ongoing Management reviews, the Board, with the concurrence of the AC are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, as well as risk management system, are adequate and effective as at 31 December 2016.

Corporate Governance Report

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Independent Directors and one Executive Director, majority of whom, including the Chairman, are Independent Directors.

Audit Committee

Mr. Tay Von Kian	(Chairman)
Mr. Tay Lee Chye Lester	
Ms. Heather Tan Chern Ling	
Mr. Oh Chee Sien	

Mr. Tay Von Kian was appointed as the Chairman of the AC on 20 April 2016 and Mr. Oh Chee Sien was appointed as a member of the AC on 13 September 2016.

The AC does not comprise wholly of Non-Executive Directors as recommended by the Code, as the Board is of the opinion that the presence of an Executive Director in the AC will facilitate the flow of information between the AC and the Company.

The AC members possess experience in finance, legal and business management. The Board is of the opinion that the members of the AC are appropriately qualified to carry out their responsibilities, which are set out in their terms of reference. The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the members hold any financial interest in the external audit firm.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- Review with the external auditors their audit plan, audit report, management letter and the Management's response;
- Review the half-year and annual financial statements before submission to the Board for approval;
- Discuss problems and concerns, if any, arising from the external and internal audits, if any, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- Review the assistance given by the Management to the auditors;
- Review the internal audit programme and ensure co-ordination between the internal and external auditors and management, where applicable;

Corporate Governance Report

- Review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operation results or financial position, and Management's response;

- Report to the Board its findings from time to time on matters arising and required the attention of the AC;

- Review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

- Undertake such other reviews and projects as may be requested by the Board;

- Undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time; and

- Consider and recommend to the Board, the appointment / re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors.

The AC has the powers to investigate any matter within its terms of reference, have full access and cooperation from the Management, and access to reasonable resources to enable it to discharge its functions properly. The AC has full discretion to invite any Executive Director or management staff to attend its meetings.

In July 2010, SGX-ST and ACRA had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

Changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

For FY2016, the AC had met with the external auditors and internal auditors without the presence of the Management and conducted a review of all non-audit services provided by the auditors. There were no non-audit services provided by the external auditors to the Company during the financial year. The amount paid and payable to external auditors for audit services fees were $292,000 for the financial period under review.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approves the remuneration of the external auditors. The AC has recommended to the Board that Messrs Crowe Horwath First Trust LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

In appointing the audit firms for the Group, the Company has complied with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST. Apart from the Company's subsidiary in Philippines, the same auditors were appointed for the Company's subsidiaries. The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company.

Corporate Governance Report

Whistle-blowing Policy

The Company has in place a Whistle-Blowing Policy and Procedures for reporting impropriety in matters of financial reporting and other matters, by which the staff may raise concerns about possible corporate improprieties in matters of financial reporting or other matters in confidence. Details of the Whistle-Blowing Policy and Procedures have been made available to all employees and members of the public through the Company's website.

To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to the Chairman of AC. For independent follow-up or investigation, whistle-blowing report(s) will be communicated and directed to the Chairman of the AC. New staffs are briefed on these during the orientation programme.

As of to-date, there were no reports received through the whistle-blowing mechanism.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function is outsourced to BDO LLP who report primarily to the AC. BDO LLP is an international auditing firm and they perform their work based on the BDO Global Internal Audit Methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The AC reviews and approves the internal audit plan submitted by the internal audit function. On an ongoing basis, the internal audit function reports any significant weaknesses and risks identified in the course of internal audits conducted to the AC. Recommendations to address control weaknesses are further reviewed by the internal audit function based on implementation dates agreed with the Management.

The AC also review, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

The AC is satisfied that the internal audit function has adequate resources to perform its function effectively and is staffed by suitably qualified and experienced professionals with relevant experience. The AC approves the hiring, removal, evaluation and compensation of the internal auditor, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Corporate Governance Report

The Company will despatch the Annual Report and notice of AGM to all shareholders. At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. If any shareholder is unable to attend, he / she is allowed to appoint up to two proxies to vote on his / her behalf at the meeting through proxy forms sent in advance. The Company's current Constitution does not include the nominee and custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 of Singapore and Singapore Financial Reporting Standards;

- Half yearly announcements containing a summary of the financial information and affairs of the Group for that period; and

- notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGMs**"). The notice of AGMs and EGMs are also advertised in a national newspaper.

Although the Company does not have a team of investor relations personnel, our shareholders can access the Company's website at http://www.darcowater.com/for financial information, corporate announcements, press releases, annual reports and profile of the Group.

Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Dividends were not declared or paid for FY2016 in order to conserve cash and to ensure that there are adequate resources for the Company's expansion plans.

Corporate Governance Report

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the Board, AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

The Company acknowledges that voting by poll in all its general meeting is integral in the enhancement of corporate governance. The Company adhere to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings, are put to vote by poll. For cost effectiveness of the Company, the voting of the resolutions at the Company's general meetings are conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general meetings.

DEALING IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code to provide guidance for the Company, Directors and all its Officers in relation to their dealings in the Company's securities.

The Company, Directors and its Officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year results, and ending on the date of the announcement of the relevant results. Additionally, they are not allowed to deal in the Company's shares while in possession of price sensitive information. The Directors and Officers are required to report to the Company Secretary whenever they deal in the Company's shares and the Company Secretary will make the necessary announcements. In addition, the Company, Directors and officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

Corporate Governance Report

MATERIAL CONTRACTS

During the financial year, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO, any Director or the controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has established a register to ensure that all Interested Person Transactions are properly recorded, reviewed and approved, and are conducted on an arm's length basis to ensure that all transactions with interested persons are reported on a timely manner to the AC, if any, and that transactions are carried out on a normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders.

During the year under review, there have been no interested person transactions requiring disclosure pursuant to the SGX-ST Listing Manual.

USE OF PROCEEDS FROM RIGHTS ISSUE

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 ("**Rights Proceeds**"), after deducting issue expenses and offsetting of accrued bonus, shareholders loans and advanced payment which has been fully utilised. The utilization of the Rights Proceeds is as follows:

S / N	Purpose from Rights issues proceeds	Amount allocated	Amount utilised	Balance
		S'000	$'000	$'000
1.	Funding new projects or investments when opportunities arose	2,000	(2,000)	–
2.	General working capital	3,764	(3,764)	–
	– Payment of Company's indebtedness	–	(432)	–
	– Repayment of overdraft taken for the working capital of the Group's working capital	–	(862)	–
	– Other general working capital	–	(2,470)	–
	Total	5,764	(5,764)	–

Corporate Governance Report

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic / Professional Qualifications	Board Appointment Executive / Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Thye Kim Meng	• Bachelor of Science (Honours) in Mechanical Engineering from Polytechnic of Wolverhamptom, England • Bachelor of Law (Honours) from University of London, United Kingdom	Executive Chairman, Managing Director and CEO	Board Chairman	13 October 2001	20 April 2016	Nil	Nil
Heather Tan Chern Ling	• Bachelor of Engineering, Chemical (1st Class Honours) from The University of Melbourne, Australia	Executive Director	Board Member and Member of AC	25 May 2006	20 April 2016	Nil	Nil
Wang Yaoyu	• Degree of Technology Power Plant and Power System, Hefei University of Technology	Executive Director	Board Member	13 September 2016	–	Nil	SIIC Environment Holdings (Wuhan) Co.,Ltd
Tay Lee Chye Lester	• Bachelor of Accountancy, Nanyang Technological University	Lead Independent Director	Board Member, Chairman of NC and RC and Member of AC	23 April 2015	20 April 2016	• 1Rockstead GIP Fund Ltd. • Rockstead Venture Ltd • Rockstead Capital Pte Ltd • 1Rockstead GIP Fund II Pte Ltd • Grand Invsmt Limited • Peinture Singapore Pte Ltd • Ming Stone (Singapore) Pte Ltd • Dio Live Pte Ltd • RS Asset Management Pte Ltd	Nil
Tay Von Kian	• Bachelor of Commerce (Accounting) with bachelor of laws degree from Macquarie University	Independent Director	Board Member, Chairman of AC and Member of NC and RC	14 August 2015	20 April 2016	Nil	Nil
Oh Chee Sien	• Bachelor of Accountancy, Nanyang Technological University	Independent Director	Board Member, Member of AC, NC and RC	13 September 2016	–	Nil	Moya Holdings Asia Limited

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited financial statements of Darco Water Technologies Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 51 to 138 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Thye Kim Meng	
Heather Tan Chern Ling	
Lester Tay Lee Chye	
Tay Von Kian	
Oh Chee Sien	(appointed on 13 September 2016)
Wang Yaoyu	(appointed on 13 September 2016)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors and chief executive officers holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		Deemed interests	
	At 1 January 2016 or date of appointment	At 31 December 2016	At 1 January 2016 or date of appointment	At 31 December 2016
Company				
Ordinary shares				
Thye Kim Meng	7,155,485	7,155,485	–	–
Heather Tan Chern Ling	8,160	8,160	–	–
Wang Yaoyu	–	–	13,387,718	13,387,718

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

Mr. Thye Kim Meng and Mr. Wang Yaoyu, who by virtue of their interests of not less than 20% of the issued capital of the Company prior and subsequently to the new shares issued, are deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	Deemed interests	
	At 1 January 2016 or date of appointment	At 31 December 2016
Darco Environmental (Philippines) Inc.		
Ordinary shares		
Thye Kim Meng	65,000	–
Wang Yaoyu	65,000	65,000
Darco Youli Co., Ltd.		
Ordinary shares		
Thye Kim Meng	5,659,243	–
Wang Yaoyu	5,659,243	5,659,243
Puzer Asia Pte. Ltd.		
Ordinary shares		
Thye Kim Meng	140,000	–
Wang Yaoyu	140,000	140,000

There was no change in any of the above-mentioned interests in the Company or its related corporations between the end of the financial year and 21 January 2017.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

SHARE OPTIONS

On 6 November 2014, the shareholders of the Company have approved the proposed Darco Performance Share Plan ("Share Plan") as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and Directors.

Directors of the Company and its subsidiaries (including Non-Executive Directors) and Directors and employees of an associated company where the Company has control over the associated company are eligible in the Share Plan.

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

SHARE OPTIONS (CONTINUED)

The number of shares available under the said Share Plan will be subject to the maximum limit of 15% of the Company's total issued shares.

As at the date of this report, no shares have been granted under the Share Plan.

During the financial year, there were:

– no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries;

– no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries; and

– no unissued shares of the Company or its subsidiaries under option.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year are as follows:

Tay Von Kian	(Chairman of the Audit Committee and Independent Director)
Lester Tay Lee Chye	(Independent Director)
Oh Chee Sien	(Independent Director)
Heather Tan Chern Ling	(Executive Director)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

– the scope and the results of internal audit procedures with the internal auditor;

– the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;

– the assistance given by the Company's management to the independent auditors;

– the periodic results announcements prior to their submission to the Board for approval;

– the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and

– interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

AUDIT COMMITTEE (CONTINUED)

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

INDEPENDENT AUDITORS

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

HEATHER TAN CHERN LING
Director

THYE KIM MENG
Director

4 April 2017

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Darco Water Technologies Limited (the Company) and its subsidiaries (the Group), set out on pages 51 to 138, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Revenue recognition using percentage-of-completion method
Refer to following notes to the financial statements
~ Note 2 "Significant accounting policy" and "Critical accounting estimates, assumptions and judgement"
~ Note 15 "Revenue"

The key audit matter	***How the matter was addressed in our audit***
The Group adopted the percentage-on-completion ("POC") method to recognise the revenue from construction contracts amounting to $39.7 million, or 65.4% of the Group's gross revenue for the current financial year. Estimating the POC involves a number of significant estimates and judgements by the management, including: – estimating the total contract costs, including the costs to complete the contract; and – appropriately provide for foreseeable losses in loss-making contracts. We focused on this area in view of significant judgements involved in estimating the total contract costs to determine the POC, which is susceptible to management bias.	We have discussed with management and project managers to obtain understanding of the nature of the projects. Our key audit procedures in relation to the accuracy of the revenue recognised under POC method are as summarised below: • Examined significant construction contracts and reviewed them to obtain an understanding of the key terms of the contracts and the contract sum; • Assessed the design and implementation and tested the operating effectiveness of the Group's internal controls over the accuracy of allocation of actual costs to the respective projects; • Assessed the completeness of the total contract costs estimated by management, taking into account the actual costs incurred, estimation of costs to complete, historical accuracy of past estimates in respect of the probable outcome of the construction projects; • Discussed with management on potential significant costs overruns which may result in foreseeable losses; and • Recalculated management's computation of the POC, and assessed reasonableness against other measurement of progress. Based on the results of above procedures, we considered that the management judgement in estimating the POC to be reasonable. We have also considered the disclosures of the sensitivity of the estimation uncertainty in the financial statements to be appropriate.

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD") purchase price allocation
Refer to following notes to the financial statements
~ Note 2 "Critical accounting estimates, assumptions and judgement"
~ Note 5 "Investment in subsidiaries" part (c) Acquisition of WHKD

The key audit matter	***How the matter was addressed in our audit***
On 24 March 2016 (the "Acquisition date"), the Group completed the acquisition of 60% of the total equity interest in the registered capital of WHKD. FRS 103 *Business Combinations* requires the Group to recognise the identifiable assets, liabilities and contingent liabilities at fair value at the Acquisition date, with the excess of the acquisition cost over the identified fair values recognised as goodwill. We focused on this area because the purchase price allocation process ("PPA") requires management to make significant amount of estimates and judgements regarding future events, particularly in relation to the identification and valuation of intangible assets, assignment of their useful lives. This is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. The management has engaged an external valuation specialist to assist in the PPA, which has identified a fair value adjustment of approximately $6.1 million, mainly for intangible assets, resulting in a $4.2 million gain on bargain purchase arising from business combination being recognised as other income during the financial year ended 31 December 2016.	We have discussed with management and their external valuation specialist to obtain an understanding on the PPA. Further we have also engaged our valuation specialist and component auditors to assist us in the audit of the business combination accounting as summarised below: • Reviewed the appropriateness of the acquisition method applied, including identifying the acquirer and acquiree and determining the timing at which controls were deemed to have obtained; • Reviewed the financial position of WHKD at the Acquisition date audited by the component auditors; • Reviewed the appropriateness of valuation methodology adopted and the key assumptions in the fair value adjustments; • Assessed the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the waste management industry data; and • Considered the adequacy of disclosures of the effect of business combination. Based on our procedures, we noted that the acquisition has been accounted for in accordance with FRS 103 *Business Combinations*, including the disclosures thereon. We also noted management's key assumptions applied in the PPA in arriving at the fair value of the assets acquired and liabilities assumed, to be within a reasonable range of our audit expectations.

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but did not include in the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report to the Members of Darco Water Technologies Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alfred Cheong Keng Chuan.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2017

Statements of Financial Position

AS AT 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**7,121**	4,175	**–**	–
Intangible assets	4	**9,492**	905	**–**	–
Investment in subsidiaries	5	**–**	–	**10,822**	4,397
Deferred tax assets	6	**318**	144	**–**	–
		16,931	5,224	**10,822**	4,397
Current assets					
Inventories	7	**1,003**	883	**–**	–
Trade and other receivables	8	**44,006**	9,399	**5,868**	5,361
Income tax recoverable		**276**	189	**–**	–
Cash and bank balances	10	**8,155**	9,308	**101**	1,138
		53,440	19,779	**5,969**	6,499
TOTAL ASSETS		**70,371**	25,003	**16,791**	10,896
LIABILITIES					
Current liabilities					
Trade and other payables	11	**30,692**	4,899	**2,323**	2,249
Borrowings	12	**2,836**	931	**–**	–
Income tax payable		**578**	201	**–**	–
		34,106	6,031	**2,323**	2,249
Non-current liabilities					
Trade and other payables	11	**–**	–	**517**	501
Borrowings	12	**849**	964	**–**	–
Deferred tax liabilities	6	**1,033**	250	**–**	–
		1,882	1,214	**517**	501
TOTAL LIABILITIES		**35,988**	7,245	**2,840**	2,750
NET ASSETS		**34,383**	17,758	**13,951**	8,146
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**51,405**	44,980	**51,405**	44,980
Other reserves	14 (a)	**(3,331)**	(3,245)	**–**	–
Accumulated losses	14 (b)	**(23,127)**	(25,469)	**(37,454)**	(36,834)
		24,947	16,266	**13,951**	8,146
Non-controlling interests	5 (d)	**9,436**	1,492	**–**	–
TOTAL EQUITY		**34,383**	17,758	**13,951**	8,146

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	15	**60,746**	26,810
Cost of sales		**(46,861)**	(19,113)
Gross profit		**13,885**	7,697
Other income	16	**4,678**	813
Distribution expenses		**(1,494)**	(329)
Administrative expenses		**(13,188)**	(7,771)
Finance costs	17	**(143)**	(113)
Profit before income tax from continuing operations		**3,738**	297
Income tax expense	19	**(347)**	(512)
Profit / (Loss) from continuing operations, net of tax		**3,391**	(215)
Discontinued operation			
Loss from discontinued operation, net of tax	28 (a)	**–**	(582)
Total profit / (loss) for the financial year	20	**3,391**	(797)
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(253)**	(1,155)
Currency translation differences realised through disposal of subsidiaries		**–**	2,308
Other comprehensive (loss) / income, net of tax		**(253)**	1,153
Total comprehensive income for the financial year		**3,138**	356
Profit / (Loss) from continuing operations, net of tax attributable to:			
Equity holders of the Company		**2,572**	(552)
Non-controlling interests		**819**	337
		3,391	(215)
Loss from discontinued operation, net of tax attributable to:			
Equity holders of the Company		**–**	711
Non-controlling interests		**–**	(1,293)
		–	(582)
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company		**2,256**	1,265
Non-controlling interests		**882**	(909)
		3,138	356
Earnings / (Loss) per share from continuing operations attributable to equity holders of the Company (cents)	21		
Basic		**5.49**	(1.78)
Diluted		**5.49**	(1.78)
Earnings per share from discontinued operation attributable to equity holders of the Company (cents)	21		
Basic		**–**	2.30
Diluted		**–**	2.30
Earnings per share from profit for the financial year attributable to equity holders of the Company (cents)	21		
Basic		**5.49**	0.52
Diluted		**5.49**	0.52

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

	Attributable to equity holders of the Company					
	Share capital $'000	**Other reserves $'000**	**Accumulated losses $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total $'000**
Balance at 1.1.2016	44,980	(3,245)	(25,469)	16,266	1,492	17,758
Profit for the financial year	–	–	2,572	2,572	819	3,391
Other comprehensive loss for the financial year, net of tax						
– Currency translation differences arising from consolidation	–	(316)	–	(316)	63	(253)
Total comprehensive (loss) / income for the financial year	–	(316)	2,572	2,256	882	3,138
Contributions by owners						
Share issued for acquisition of a subsidiary (Note 13)	6,425	–	–	6,425	–	6,425
Transfer to statutory reserve (Note 14(a))	–	230	(230)	–	–	–
Total contributions by owners	6,425	230	(230)	6,425	–	6,425
Change in ownership interests in subsidiaries						
Acquisition of a subsidiary (Note 5(c))	–	–	–	–	7,062	7,062
Balance at 31.12.2016	51,405	(3,331)	(23,127)	24,947	9,436	34,383
Balance at 1.1.2015	36,985	(4,351)	(25,628)	7,006	2,488	9,494
Profit / (Loss) for the financial year	–	–	159	159	(956)	(797)
Other comprehensive income/(loss) for the financial year, net of tax						
– Currency translation differences arising from consolidation	–	(1,202)	–	(1,202)	47	(1,155)
– Currency translation differences realised through disposal of subsidiaries	–	2,308	–	2,308	–	2,308
Total comprehensive income / (loss) for the financial year	–	1,106	159	1,265	(909)	356
Contributions by owners						
Issuance of shares (Note 13)						
– By way of cash	5,766	–	–	5,766	–	5,766
– By way of capitalising of amount payables	2,369	–	–	2,369	–	2,369
Share issuance expenses (Note 13)	(140)	–	–	(140)	–	(140)
Total contributions by owners	7,995	–	–	7,995	–	7,995
Change in ownership interests in subsidiaries						
Disposal of subsidiaries (Note 28 (c))	–	–	–	–	(87)	(87)
Balance at 31.12.2015	44,980	(3,245)	(25,469)	16,266	1,492	17,758

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit / (Loss) before income tax:			
– Continuing operations		**3,738**	297
– Discontinued operation	28 (a)	**–**	(582)
		3,738	(285)
Adjustments:			
Amortisation of intangible assets		**1,349**	–
Depreciation of property, plant and equipment		**680**	507
Gain on bargain purchase arising from business combination	5 (c)	**(4,167)**	–
Gain on disposal of property, plant and equipment		**(14)**	(10)
Gain on disposal of subsidiaries		**–**	(2,095)
Property, plant and equipment written off		**–**	2
Impairment loss of property, plant and equipment		**–**	53
Impairment loss on trade and other receivables		**1,294**	2,897
Reversal of payables and accruals following the settlement of legal case		**–**	(1,402)
Interest expenses		**143**	207
Interest income		**(23)**	(28)
Unrealised exchange differences		**(75)**	199
Operating profit before working capital changes		**2,925**	45
Change in working capital, net of effects from disposal of subsidiaries			
Inventories		**(50)**	41
Gross amount due to / from customers for contract work		**(18,065)**	(580)
Trade and other receivables		**256**	(3,436)
Trade and other payables		**12,736**	99
Refund / (Pledge) of fixed deposits and bank balances	10	**1,198**	(280)
Cash used in operations		**(1,000)**	(4,111)
Income taxes paid		**(788)**	(296)
Net cash used in operating activities		**(1,788)**	(4,407)
Cash flows from investing activities			
Purchase of property, plant and equipment	A	**(2,168)**	(493)
Proceeds from disposal of property, plant and equipment		**15**	2
Acquisition of a subsidiary, net of cash	5 (c)	**1,165**	–
Disposal of subsidiaries, net of cash disposed	28 (c)	**–**	826
Interest received		**23**	28
Net cash (used in) / from investing activities		**(965)**	363
Cash flows from financing activities			
Proceeds from issuance of new shares, by way of cash	13	**–**	5,766
Share issuance cost	13	**–**	(140)
Proceeds from bank borrowings		**1,064**	–
Repayment of bank borrowings		**(440)**	(1,151)
Repayment of finance lease liabilities		**(46)**	(55)
Interest paid		**(143)**	(207)
Net cash from financing activities		**435**	4,213
Net (decrease) / increase in cash and cash equivalents		**(2,318)**	169
Cash and cash equivalents at beginning of financial year		**7,711**	7,943
Effect of exchange rate changes on cash and cash equivalents		**101**	(401)
Cash and cash equivalents at end of financial year	10	**5,494**	7,711

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

Note A

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised of:

	2016 $'000	2015 $'000
Property, plant and equipment purchased during the financial year	**3,436**	536
Less:		
Amount outstanding as at end of the financial year (Note 11)	**(1,245)**	–
Finance lease liabilities	**(23)**	(43)
Cash payment to acquire property, plant and equipment	**2,168**	493

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

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 Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office and its principal place of business is located at 21 Marsiling Industrial Estate Road 9, #01-03, Singapore 739175.

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 disclosed in Note 5.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 4 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Singapore dollars ("$") and all values are recorded to nearest thousand ($'000) as indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgements in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Descriptions	Effective for annual periods beginning on or after
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (Dec 2016)	
– FRS 112 *Disclosure of Interests in Other Entities*	1 January 2017
FRS 115 *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
Improvements to FRSs (Dec 2016)	
– FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2018
– FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 116 Leases	1 January 2019

Except for Amendments to FRS 7, Amendments to FRS 12, FRS 109, FRS 115, INT FRS 122, FRS 116 and convergence with IFRS, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new or revised FRSs are described below.

Amendments to FRS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group will apply these amendments prospectively in 2017.

Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits if there is sufficient evidence; and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions arising from the reversal of those deductible temporary differences. The amendments are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Group will adopt the standard when it becomes effective in 2018 and does not expect significant adjustment on adoption of FRS 109 as the Group does not expect changes in measurement basis of financial assets and liabilities or significant increase in impairment allowance.

FRS 115 *Revenue from Contracts with Customers (including Clarifications)*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2018.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The Group currently recognises revenue from construction contracts by reference to the stage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably (the percentage of completion method). On adoption of FRS 115, there may be significant impact on the timing of revenue recognition of the Group. The Group is still in the process of assessing the full impact of the application of FRS 115, including whether the performance obligation under the contracts are satisfied over time and other aspects such as contract modifications, variable consideration and financing components and the transition choices available. It is not practicable to provide a reasonable financial estimate of the effect until the detailed assessment is completed.

The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with full or cumulative retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

INT FRS 122: *Foreign Currency Transactions and Advance Consideration*

FRS 21 requires a foreign currency transaction to be recorded using spot exchange rate at the date of transaction. This interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of transaction for the purpose of determining the transaction rate on initial recognition of the related asset, expense or income (or part of it) is the date on which the entity initially recognises the non-monetary asset or liability (such as prepayment or deferred income) arising from the advance consideration. As such, no exchange gain will arise from the transfer of non-monetary asset or liability recognised for advance consideration to the related asset, expense or income at initial recognition. The interpretation applies to annual periods beginning on or after 1 January 2018, which an entity may elect to apply either retrospectively or prospectively.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

Based on the Group's preliminary assessment, the Group expects that the impact on adoption of IFRS-Identical Financial Reporting Standards 15 *Revenue from Contracts with Customers* and IFRS-Identical Financial Reporting Standards 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described above.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS-Identical Financial Reporting Standards 1.

FRS 116 *Leases*

This new standard on leases supersedes the previous standard (FRS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasee, FRS 116 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statement of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions for short term lesses (less than 12 months and leases of low value terms). However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. FRS 116 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of this standard. The Group will apply the new FRS 116 when it becomes effective in 2019, which may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements.

As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 23(ii). Based on the Group's preliminary assessment, these leases will result in the recognition of asset and liability for future lease payments upon adoption of FRS116.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

(ii) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

Investment in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Singapore dollars ("$"), which is also the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for freehold lands are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction in progress includes all cost of construction and other direct costs. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Freehold lands and construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write-off the cost over their estimated useful lives as follows:

	Useful lives (Years)
Freehold buildings	50
Leasehold lands and buildings	30 to 50
Renovations	5
Motor vehicles	5
Plant and equipment	3 to 10

The estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within "Other income (expenses)".

Intangible assets

(i) Goodwill on acquisitions

Goodwill on acquisition of subsidiaries or businesses represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Certain portion of goodwill arose from a change in parent's ownership interests in a subsidiary (after control is obtained) before July 2009. The revised FRS 27 which was issued on 1 July 2009 did not require retrospective adjustment be made on goodwill that was recognised prior to 1 July 2009 and allowed the goodwill be stated at carrying value as of 1 July 2009.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

(i) Goodwill on acquisitions (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group if cash generating units) to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(a) Trade name and trademarks

Trade name and trademarks are measured at fair value less accumulated amortisation and accumulated impairment losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 7 years.

(b) Patented technologies and license

Patented technologies are measured at fair value less accumulated amortisation and accumulated impairment losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 5 years.

(c) Computer software and others

Computer software and others are measured at fair value less accumulated amortisation and accumulated impairment losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 3 to 5 years.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent on those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth years.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(i) Initial recognition and measurement (Continued)

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. As at the reporting date, the Group has no other financial assets in the categories of financial assets other than the category of loans and receivables.

(ii) Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, and excludes prepayments, advances to suppliers and GST / VAT receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials and trading goods comprise of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts work-in-progress

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract should be recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and any variation in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

The aggregate of costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the financial year end. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as gross amount due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as gross amount due to customers for contract work.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the reporting date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in the current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2006, the date of inception is deemed to be 1 January 2006 in accordance with the transitional requirements of INT FRS 104.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(ii) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Share capital and issuance expenses

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and its related costs can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(b) Revenue from construction contracts – Engineered Environmental Systems

Revenue from construction contracts is recognised in accordance with the accounting policy on accounting for "Construction contracts work-in-progress" paragraph.

(c) Revenue from rendering of services – Water Management Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(d) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits

(i) Retirement benefits

The Group and the Company participate in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company and certain subsidiaries make contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme.

Foreign subsidiaries

The subsidiaries, incorporated and operating in Malaysia, the People's Republic of China, Philippines and Taiwan, are required to provide certain retirement plan contribution to their employees under the existing regulations. Contribution are provided at the rates stipulated by the regulations in the countries where the subsidiaries operate.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Borrowing costs

All borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income taxes for current and prior periods are recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short-term, highly liquid investments readily convertible to known amounts of cash which have an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdraft and pledged fixed deposits and bank balances.

Discontinued operation

A discontinued operation is a component of an entity that has been disposed of and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn resources and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which in the case is the Chief Executive Officer of the Group, to make decision about resources to be allocated and to assess performance of the operating segments.

Critical accounting estimates, assumptions and judgement

Estimates, assumptions and judgement 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.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 financial year are discussed below.

(a) Construction contracts

The Group uses the percentage-of-completion method in accounting for its contract revenue where it is probable that contract costs are recoverable. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management relied on past experiences and knowledge of the project engineers.

The carrying amounts of assets and liabilities arising from construction contracts as at 31 December 2016 are disclosed in Note 9.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgement (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(a) Construction contracts (Continued)

If the estimated total contract cost had been 5% higher than management estimate for the contracts in progress as at the reporting date, the carrying amount of the assets and liabilities arising from construction contracts would have been $1,081,000 (2015: $52,000) lower and $175,000 (2015: $49,000) higher respectively.

If the estimated total contract cost had been 5% higher than management estimate for the contracts in progress as at the reporting date, the revenue arising from construction contracts of the Group will decrease by $906,000 (2015: $3,000).

(b) Useful lives of intangible assets arising from business combinations

Those intangible assets arising from business combinations are amortised on a straight-line basis over their useful lives. The management estimates the useful lives to be between 3 to 7 years, based on the common life expectancies applied in the water purification, water supply and wastewater treatment industry and existing contracts. As at 31 December 2016, there are no indications that the remaining economic useful lives of those intangible assets are significantly lower than the remaining useful lives. The carrying amount of the Group's intangible assets at the reporting date is disclosed in Note 4 to the financial statements.

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell 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.

The carrying amount of goodwill and further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 4.

The carrying amount of property, plant and equipment and investment in subsidiaries are disclosed in Note 3 and 5 respectively.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgement (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of trade and other receivables of the Group and Company as at 31 December 2016 are disclosed in Note 8. The credit risk exposure including the aging profile of trade receivables are disclosed in Note 25 (iii).

If the net present values of estimated cash flows increase / decrease by 10% from management's estimates for all past due but not impaired trade receivables, the Group's allowance for impairment will decrease / increase by $400,000 (2015: $276,000).

(e) Income tax

Current tax:

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. In determining the income tax liabilities of a routine tax assessment year, management estimated the amount of capital allowance and the deductibility of certain expenses at each tax jurisdiction. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax recoverable and payable as at 31 December 2016 amounted to $276,000 and $578,000 (2015: $189,000 and $201,000) respectively.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgement (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(e) Income tax (Continued)

Deferred tax – recognised:

Changes in income tax laws and rates may affect recorded deferred tax assets and liabilities in the future. As at 31 December 2016, a subsidiary in The People's Republic of China which enjoys a concessionary tax rate of 15%, had recognised deferred tax assets and liabilities of approximately $142,000 (2015: $Nil) and $905,000 (2015: $Nil) respectively on the basis that the concessionary tax rate will still be available at the timing of reversal of the temporary differences. Management expects the tax status to be renewed upon expiry. If the tax status cannot be renewed after expiry, additional amount of deferred tax expense at statutory tax rate would reduce profit for the financial year by approximately $76,000 (2015: Loss for the financial year would decrease by $Nil).

Deferred tax – unrecognised:

The Group and Company have not recognised deferred tax assets relating to tax losses of approximately $9,230,000 and $3,112,000 (2015: $5,606,000 and $2,183,000) respectively that are available to be carried forward. As disclosed in Note 6, these losses relate to the Company and certain subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The Company and the respective subsidiaries have neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets. If the Group was able to recognise all unrecognised deferred tax assets, the resulting deferred tax income of approximately $1,815,000 (2015: $1,044,000) would increase the Group's profit for the financial year (2015: reduce loss for the financial year).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgement (Continued)

(ii) Critical judgement in applying the entity's accounting policies

Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD") (Note 5 (c))

On 24 March 2016, the Group completed the acquisition of a 60% equity interest in WHKD from Wuhan LianKai Investment Co., Ltd. ("WHLK"), Hong Kong Meidi Investments Holdings Co., Ltd. ("HKMI") and Mr. Zhang Zhengda ("ZZD") (collectively "the Vendors") via the issuance of 19,124,454 new shares in the Company at a fair value issue price of $0.336 per share.

After considering all the other pertinent facts and circumstance such as:

(i) The pre-combination shareholders of the Company would continue to retain a majority controlling interest over the Group considering the Vendors are not deemed to be acting in concert; and

(ii) There are no significant changes to the composition of the senior management upon the acquisition.

The management has determined the Group to be the "accounting acquirer" under FRS 103 *Business Combinations*. Accordingly, the Group has accounted for the acquisition of WHKD using the acquisition method.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold lands $'000	Freehold buildings $'000	Leasehold lands and buildings $'000	Renovations $'000	Construction in progress $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Cost								
As at 1.1.2015	2,185	1,494	625	399	–	913	4,783	10,399
Additions	–	–	–	90	–	241	205	536
Disposals	–	–	–	–	–	(94)	–	(94)
Written off	–	–	–	(123)	–	–	(298)	(421)
Disposal of subsidiaries	–	–	–	–	–	(94)	(569)	(663)
Currency translation differences	20	(120)	(81)	(42)	–	(57)	(77)	(357)
As at 31.12.2015	2,205	1,374	544	324	–	909	4,044	9,400
As at 1.1.2016	**2,205**	**1,374**	**544**	**324**	**–**	**909**	**4,044**	**9,400**
Additions	**–**	**322**	**2,484**	**336**	**29**	**113**	**152**	**3,436**
Acquisition of a subsidiary (Note 5(c))	**–**	**–**	**–**	**–**	**–**	**126**	**10**	**136**
Disposals	**–**	**–**	**–**	**–**	**–**	**(37)**	**(2)**	**(39)**
Written off	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Currency translation differences	**80**	**21**	**(2)**	**(5)**	**(1)**	**(10)**	**25**	**108**
As at 31.12.2016	**2,285**	**1,717**	**3,026**	**655**	**28**	**1,101**	**4,226**	**13,038**

Assets not yet available for use

Included in the additions to leasehold lands and buildings and renovations is amount of $2,484,000 and $321,000 respectively, which are not yet available for use as at 31 December 2016 due to renovation in progress. The Group received the legal title deed for the leasehold land and building that is issued by the relevant Authority in February 2017.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Freehold lands $'000	Freehold buildings $'000	Leasehold lands and buildings $'000	Renovations $'000	Construction in progress $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Accumulated depreciation								
As at 1.1.2015	–	225	44	311	–	602	3,255	4,437
Charge for the financial year	–	19	12	33	–	97	346	507
Disposals	–	–	–	–	–	(92)	–	(92)
Written off	–	–	–	(123)	–	–	(298)	(421)
Disposal of subsidiaries	–	–	–	–	–	(65)	(284)	(349)
Currency translation differences	–	(31)	(7)	(27)	–	(35)	(85)	(185)
As at 31.12.2015	–	213	49	194	–	507	2,934	3,897
As at 1.1.2016	**–**	**213**	**49**	**194**	**–**	**507**	**2,934**	**3,897**
Charge for the financial year	**–**	**131**	**11**	**41**	**–**	**142**	**355**	**680**
Disposals	**–**	**–**	**–**	**–**	**–**	**(37)**	**(1)**	**(38)**
Written off	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Currency translation differences	**–**	**1**	**(1)**	**(5)**	**–**	**(6)**	**5**	**(6)**
As at 31.12.2016	**–**	**345**	**59**	**230**	**–**	**606**	**3,290**	**4,530**

(Amounts in thousands of Singapore dollars ("$'000"))

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Freehold lands $'000	Freehold buildings $'000	Leasehold lands and buildings $'000	Renovations $'000	Construction in progress $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Accumulated impairment losses								
As at 1.1.2015	1,051	185	–	–	–	28	275	1,539
Impairment loss	–	53	–	–	–	–	–	53
Disposal of subsidiaries	–	–	–	–	–	(29)	(285)	(314)
Currency translation differences	33	6	–	–	–	1	10	50
As at 31.12.2015	1,084	244	–	–	–	–	–	1,328
As at 1.1.2016	**1,084**	**244**	**–**	**–**	**–**	**–**	**–**	**1,328**
Currency translation differences	**48**	**11**	**–**	**–**	**–**	**–**	**–**	**59**
As at 31.12.2016	**1,132**	**255**	**–**	**–**	**–**	**–**	**–**	**1,387**
Net carrying amount								
As at 31.12.2016	**1,153**	**1,117**	**2,967**	**425**	**28**	**495**	**936**	**7,121**
As at 31.12.2015	1,121	917	495	130	–	402	1,110	4,175

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases

During the financial year, the Group acquired motor vehicles with an aggregate cost of $23,000 (2015: $43,000) by means of finance leases.

The carrying amount of motor vehicles held under finance leases at the reporting date is $152,000 (2015: $204,000). Leased assets are pledged as security for the related finance lease liabilities (Note 12).

Assets pledged as security

In addition to assets held under finance leases, freehold lands, freehold buildings and leasehold lands and buildings of the Group with an aggregate carrying amount of $2,746,000 (2015: $2,533,000) are mortgaged to the banks in Malaysia and Taiwan to secure the Group's bank loans and facilities (Note 12).

The properties held by the Group as at 31 December 2016 and 31 December 2015 are as follows:

Location	Description	Gross land area (sqm)	Gross built-in area (sqm)	Remaining tenure	Use of property
Malaysia					
Lot 10645, Jalan Permata 1 / 6, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus, Malaysia	Freehold land and building	4,572	1,512	Freehold	Office, factory and warehouse
Lot 16140, No.117, Jalan Nilai 3 / 12, Kawasan Perindustrian Nilai 3, 71800 Nilai, Negeri Sembilan, Malaysia	Freehold land and building	669	223	Freehold	Factory
Lot No. 6456, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Leasehold land and building	1,009	984	Ending on 30 September 2045	Office, factory and warehouse
Lot No. 6457, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Leasehold land and building	1,009	984	Ending on 30 September 2045	Office, factory and warehouse

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The properties held by the Group as at 31 December 2016 and 31 December 2015 are as follows (Continued):

Location	Description	Gross land area (sqm)	Gross built-in area (sqm)	Remaining tenure	Use of property
Taiwan					
No. 5, Wurih Township, Town Urban, Qing Guan Road, 65-1 Tong An Segment, 341-2, Taiwan	Freehold land and building	76,445	1,248	Freehold	Office, factory and warehouse
Wurih Township, Town Urban, Tong An Segment 253-1,Taiwan	Freehold land	17,199	–	Freehold	Office, factory and warehouse
China*					
Building 20, Guanggu Witpark, Financial Harbour 1st Road, Guanggu Road, East Lake New-Tech Development Zone, Wuhan, Hubei, PRC	Leasehold land and building	431	1,494	Ending on 11 March 2061	4-storey office and warehouse

* Newly acquired during the financial year ended 31 December 2016.

4. INTANGIBLE ASSETS

Group	Goodwill on consolidation $'000	Trade name and trademarks $'000	Patented technologies and license $'000	Computer software and others $'000	Total $'000
Cost					
Balance at 1.1.2015	959	–	–	–	959
Disposal of subsidiaries	(35)	–	–	–	(35)
Balance at 31.12.2015	924	–	–	–	924
Balance at 1.1.2016	**924**	**–**	**–**	**–**	**924**
Additions:					
– Acquisition of a subsidiary (Note 5(c))	–	4,544	5,258	145	9,947
Currency translation differences	–	(10)	(11)	(1)	(22)
Balance at 31.12.2016	**924**	**4,534**	**5,247**	**144**	**10,849**

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill on consolidation $'000	Trade name and trademarks $'000	Patented technologies and license $'000	Computer software and others $'000	Total $'000
Accumulated amortisation and impairment losses					
Balance at 1.1.2015	(54)	–	–	–	(54)
Disposal of subsidiaries	35	–	–	–	35
Balance at 31.12.2015	(19)	–	–	–	(19)
Balance at 1.1.2016	(19)	–	–	–	(19)
Amortisation for the financial year	–	(484)	(833)	(32)	(1,349)
Currency translation differences	–	5	3	3	11
Balance at 31.12.2016	**(19)**	**(479)**	**(830)**	**(29)**	**(1,357)**
Net carrying amount					
As at 31.12.2016	**905**	**4,055**	**4,417**	**115**	**9,492**
As at 31.12.2015	905	–	–	–	905

Amortisation expenses included in the profit or loss are analysed as follows:

	Group 2016 $'000	Group 2015 $'000
Administrative expenses	**1,349**	–

The carrying amount and the remaining amortisation period of the majority intangible assets are as follows:

	Group: Carrying amount 2016 $'000	Carrying amount 2015 $'000	Remaining amortisation period 2016 Months	Remaining amortisation period 2015 Months
Trade name and trademarks	**4,055**	–	**75**	–
Patented technologies	**3,034**	–	**51**	–
Licence to use technology	**1,383**	–	**51**	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

4. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

Goodwill acquired through business combination are allocated to the Group's cash-generating units (CGUs) that are expected to benefit from that business combinations. The carrying amount of goodwill which had been allocated to CGUs within the Engineered Environmental Systems segment is as follows:

	2016 $'000	2015 $'000
Singapore*	**905**	905
Malaysia(i)	**4**	4
PRC(i)	**15**	15
	924	924

* This pertains to PV Vacuum Engineering Pte. Ltd. ("PV Vacuum").

(i) Fully impaired in the previous financial years.

The recoverable amount of the CGUs are determined based on value-in-use calculations.

In determining value-in-use, the Group prepares 10-year cash flow projections based on the most recent financial budgets approved by the management covering a five-year period, which are based on the following key assumptions:

	Group	
	2016 %	2015 %
Growth rate(1)		
– Municipal	**–**	–
– Industrial	**0 to 7.5**	0 to 4
Gross margin(2)		
– Municipal	**16**	5
– Industrial	**63**	72
Discount rate(3)	**4**	4

(1) Growth rate in revenue

(2) Budgeted gross margin

(3) Pre-tax discount rate applied to the pre-tax cash flow projections

Municipal projects

Revenue from municipal projects is based on contract value of projects for which PV Vacuum has secured as at the reporting date, which will be completed over the next 1- 2 years. Gross margin is based on the budgeted costs estimated to be required for those projects.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

4. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill (Continued)

Industrial

Management expects PV Vacuum to achieve budgeted revenue in 2017 forecasted based on its historical track records for the past 5 years, and at 7.5% growth per annum for the next 4 years, which is consistent with the industry growth rate forecast. In extrapolating the cash flows beyond the budget periods, the Management assumed zero growth rate. Gross margin is budgeted based on the historical track records for the past 3 years.

The discount rates used are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Sensitivity to changes in assumptions

Management believes that no reasonably possible changes in any of the above key assumptions individually or in combination would cause the carrying amount of the CGUs to materially exceed its recoverable amount.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Unquoted equity shares, at cost		
At beginning of the financial year	**7,076**	27,312
Less: Disposal of subsidiaries (Note (b))	**–**	(20,236)
Add: Issuance of shares for acquisition of a subsidiary (Note (c))	**6,425**	–
At end of the financial year	**13,501**	7,076
Less: Impairment losses		
At beginning of the financial year	**(2,679)**	(22,894)
Less: Disposal of subsidiaries (Note (b))	**–**	20,215
At end of the financial year	**(2,679)**	(2,679)
Net carrying amount	**10,822**	4,397

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2016 %	2015 %
Held by the Company				
Darco Engineering Pte. Ltd.[1]	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business	Singapore	**100**	100
Darco Water Systems Sdn. Bhd.[2]	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business and trading in related industrial products	Malaysia	**100**	100
PV Vacuum Engineering Pte. Ltd.[1]	Design and supply of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies	Singapore	**100**	100
Darco Engineering (Taiwan) Co., Ltd.	Design, fabrication, and installation of water and waste water pollution control engineering, air pollution control engineering, solid waste disposal treatment and incineration, noise and vibration prevention engineering, soil pollution control engineering and environmental monitoring system	Taiwan	**–**	– (Note (b))
Wuhan Kaidi Water Services Co., Ltd.[2]	Provision of comprehensive and integrated engineering solutions for water purification, water supply and wastewater treatment	The People's Republic of China	**60 (Note (c))**	–

Notes to the Financial Statements

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries are as follows (Continued):

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2016 %	**2015 %**
Held by the Company (Continued)				
Darco Environmental (Philippines) Inc.[3]	Design, installation and commissioning of treatment systems for water purification, treatment of waste water and other waste discharge for industrial use, providing services and supplying chemicals and components used in manufacturing and maintenance water treatment systems	Philippines	**65**	65
Shanghai Darco Engineering Co., Ltd.[4]	Design and fabrication of water treatment systems and provision of consultancy services in relation to such business	The People's Republic of China	**100**	100
Darco Industrial Water Sdn. Bhd.[2]	Designing, installing, setting up and maintaining of industrial waste treatment plant ultra-pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment equipment, spare parts and chemicals	Malaysia	**100**	100
Held by subsidiaries				
WWMG Environmental Sdn. Bhd.[2]	Investment holding	Malaysia	**100**	100
Ness Plus Trading Sdn. Bhd.[2]	Designing, fabricating and constructing pure and waste water treatment plants and trading in related industrial products	Malaysia	**100**	100

Notes to the Financial Statements

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries are as follows (Continued):

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2016 %	**2015 %**
Held by subsidiaries (Continued)				
Grober Industrial Services Sdn. Bhd.[(2)]	Supplying of all kinds of industrial equipment and industrial services	Malaysia	**100**	100
Darco Youli Co., Ltd.[(2)]	Recycling of medical waste	Taiwan	**60**	60
Darco Remediation Technologies Inc.[(2)]	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	Taiwan	**100**	100
Darco Puding Wastewater Management Co., Ltd.	Supply of potable water	Taiwan	**–**	– (Note (b))
Puzer Asia Pte. Ltd.[(1)]	Trading in vacuum cleaning systems and provision of related services	Singapore	**56**	56

(1) Audited by Crowe Horwath First Trust LLP, Singapore.
(2) Audited by member firms of Crowe Horwath International in the respective countries.
(3) Audited by Fernandez, Santos & Lopez, Philippines.
(4) Audited by a CPA firm in The People's Republic of China.

(b) In the previous financial year, those subsidiaries (collectively known as the "DET Disposal Group") were disposed pursuant to the disposal of the 100% equity interest in Darco Engineering (Taiwan) Co., Ltd. (Note 28).

(c) Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD")

On 11 August 2015, the Company has entered into a conditional sale and purchase agreement ("SPA") with Wuhan Liankai Investment Co., Ltd. ("WHLK"), Hong Kong Meidi Investments Holdings Co., Ltd. ("HKMI") and Mr. Zhang Zhengda ("ZZD") (collectively "the Vendors") to acquire a 60% equity interest in WHKD. The original agreed purchase consideration was the issuance of 382,489,084 new shares in the Company at an issue price of $0.0285 per share.

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD") (Continued)

Following the completion of the Company's Share Consolidation exercise in December 2015 (Note 13), the Company and the Vendors further agreed to reduce the number of shares to be issued as a consideration to 19,124,454 at a revised issue price of $0.570. The acquisition has been completed and control has been obtained on 24 March 2016 (the "Acquisition date"). Upon the Acquisition date, WHKD became a subsidiary of the Group.

The Group has acquired WHKD in order to remain competitive and strengthen its position as a water treatment and management specialist both in The People's Republic of China and the Southeast Asia region and to enlarge the range of services it can offer to its clients.

WHKD is included in both the Engineered Environmental Systems and the Trading operating segments.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of WHKD's identifiable net assets. The fair value of the identifiable assets and liabilities of WHKD as at the Acquisition date were:

	Fair value recognised on acquisition $'000
Property, plant and equipment	136
Intangible assets	9,947
Deferred tax assets	99
Inventories	78
Trade and other receivables	15,810
Cash and bank balances*	3,367
Borrowings	(1,045)
Trade and other payables	(9,105)
Income tax payables	(564)
Deferred tax liabilities	(1,069)
Net identifiable assets at fair value	17,654
Consideration transferred for the acquisition of WHKD	
Acquisition-date fair value of equity instruments issued (Note 13)	6,425
Goodwill recognised as a result of the acquisition was as follows:	
Consideration transferred (as above)	6,425
Non-controlling interest measured at the non-controlling interest's proportionate share of WHKD's net identifiable assets	7,062
Less: Total identifiable net assets at fair value (as above)	(17,654)
Gain on bargain purchase arising from business combination (Note 20)	(4,167)

* Included in the cash and bank balances is an amount of $2,202,000 that relates to bank balances being pledged to the banks (Note 10).

Notes to the Financial Statements

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD") (Continued)

Gain on bargain purchase

The purchase consideration as further agreed with the Vendors was issuance of 19,124,454 new shares in the Company, an issue price of $0.570 per share which brings the total consideration to an aggregate of $10.9 million, approximating the share of net identifiable assets at fair value. At the Acquisition date, the market price of the Company's share was lower at $0.336 per share, thereby reducing the purchase consideration to approximately $6.4 million and resulting in a gain on bargain purchase arising from business combination amounting to approximately $4.2 million. The gain is included in the "Other income" line item in profit and loss.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables, including notes receivable, other receivables and gross amount due from contract customers with fair value of $7,100,000, $1,980,000 and $6,730,000 respectively. Their gross amounts are $7,411,000, $1,980,000 and $6,730,000 respectively. At the Acquisition date, $311,000 of the contractual cash flows pertaining to trade receivables are not expected to be collected. It is expected that the full amount of other receivables and gross amount due from contract customers can be collected.

Other fair value of assets acquired and liabilities assumed in the acquisition

The management has engaged external valuation specialist to assist in the purchase price allocation process. The fair value of the assets and liabilities are calculated using the following:

	Valuation methodologies
Assets:	
– Trade name and trademarks	Relief from Royalty
– Patented technologies	Relief from Royalty
– Licence to use technology	Replacement cost
– Computer software and others	Replacement cost
– Gross amount due from customers for contract work	Discounted cash flows
Liability:	
– Gross amount due to customers for contract work	Bottom-up

Total net fair value adjustments and the related deferred tax liabilities amounted to $6,059,000 and $1,069,000 respectively.

The fair value of other assets and liabilities approximate their carrying amounts at the Acquisition date as the nature of other assets and liabilities does not subject to significant changes or fluctuation in value.

Transaction costs

Transaction costs related to the acquisition of $724,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the financial year ended 31 December 2016.

Notes to the Financial Statements

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of Wuhan Kaidi Services Co., Ltd. ("WHKD") (Continued)

Effect of the acquisition of WHKD on cash flows

	Fair value recognised on acquisition $'000
Total consideration for 60% equity interest acquired	6,425
Less: Non-cash consideration	(6,425)
Consideration settled in cash	–
Less: Cash and cash equivalents of subsidiary acquired (after deducting pledged bank balances)	1,165
Net cash inflows on acquisition of a subsidiary	1,165

Impact of the acquisition on profit or loss

From the Acquisition date, WHKD has contributed $27,801,000 of revenue and $1,631,000 to the Group's profit for the financial year. If the business combination had taken place at the beginning of the financial year, the Group's revenue and the profit for the financial year, net of tax, would have been $63,433,000 and $3,642,000 respectively.

(d) Interest in subsidiaries with non-controlling interest ("NCI")

(i) The Group has the following subsidiaries that have NCI to the Group.

Name of subsidiary	Proportion (%) of ownership interests and voting rights held by NCI	
	2016 %	2015 %
With material NCI		
Wuhan Kaidi Services Co., Ltd. ("WHKD") (Note 5(c))	**40**	–
Darco Youli Co., Ltd. ("Youli")	**40**	40
With immaterial NCI		
Darco Environmental (Philippines) Inc.	**35**	35
Puzer Asia Pte. Ltd.	**44**	44

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Interest in subsidiaries with non-controlling interest ("NCI") (Continued)

(ii) The carrying value of NCI to the Group is as follow:

	2016 $'000	2015 $'000
WHKD	**7,709**	–
Youli	**1,739**	1,475
Other subsidiaries with immaterial NCI	**(12)**	17
Total	**9,436**	1,492

(iii) The following summarises the financial information (post-acquisition) of each of the Group's subsidiary with material NCI, based on its respective financial statements prepared in accordance with FRS, modified for fair value adjustment on acquisition.

	WHKD	Youli	
	2016 $'000	2016 $'000	2015 $'000
Revenue	**27,801**	**3,160**	2,860
Profit	**1,600**	**476**	829
Other comprehensive (loss) / income	**(17)**	**185**	113
Total comprehensive income	**1,583**	**661**	942
Attributable to NCI:			
– Profit	**640**	**190**	332
– Other comprehensive (loss) / income	**(7)**	**74**	45
Total comprehensive income	**633**	**264**	377
Non-current assets	**11,654**	**1,972**	1,853
Current assets	**37,338**	**3,411**	2,950
Non-current liabilities	**(909)**	**(515)**	(533)
Current liabilities	**(28,810)**	**(520)**	(582)
Net assets	**19,273**	**4,348**	3,688
Accumulated NCI of the subsidiary at end of financial year	**7,709**	**1,739**	1,475
Cash flows from operating activities	**292**	**663**	1,181
Cash flows used in investing activities	**(1,607)**	**(341)**	(239)
Cash flows from / (used in) financing activities (dividends to NCI: $Nil)	**1,820**	**(44)**	(441)

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Interest in subsidiaries with non-controlling interest ("NCI") (Continued)

(iv) Significant restrictions:

The nature and extent of significant restriction of the Group's ability to use or access assets and settle liabilities of subsidiaries with material NCI are:

Cash and cash equivalents of WHKD amounting to $1,160,000 as at 31 December 2016 held in The People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends. The remaining bank balances of WHKD of $1,272,000 are pledged to banks for the purpose as disclosed in Note 10 to the financial statements.

6. DEFERRED TAX ASSETS / (LIABILITIES)

	Group	
	2016 **$'000**	**2015** **$'000**
At beginning of the financial year	**(106)**	(33)
Addition arising from acquisition of a subsidiary	**(970)**	–
Deferred tax resulting from reduction in tax rate (Note 19)	**2**	–
Recognised in the profit or loss (Note 19)	**359**	(103)
Currency translation differences	**–**	30
At end of the financial year	**(715)**	(106)
Presenting:		
Deferred tax assets	**318**	144
Deferred tax liabilities	**(1,033)**	(250)
	(715)	(106)

Deferred tax assets of the Group

	Allowance of doubtful debts $'000	Others** $'000	Total $'000
2016			
At beginning of the financial year	**73**	**71**	**144**
Addition arising from acquisition of a subsidiary (Note 5(c))	**93**	**6**	**99**
Recognised in the profit or loss	**–**	**77**	**77**
Currency translation differences	**(2)**	*****	**(2)**
At end of the financial year	**164**	**154**	**318**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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6. DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)

Deferred tax assets of the Group (Continued)

	Allowance of doubtful debts $'000	Others** $'000	Total $'000
2015			
At beginning of the financial year	71	65	136
Recognised in the profit or loss	–	7	7
Currency translation differences	2	(1)	1
At end of the financial year	73	71	144

* Amount less than $1,000.

** Others mainly comprised of unutilised tax losses and provision.

Deferred tax liabilities of the Group

	Fair value adjustments on acquisition of a subsidiary $'000	Tax over book depreciation $'000	Total $'000
2016			
At beginning of the financial year	**–**	**250**	**250**
Addition arising from acquisition of a subsidiary (Note 5(c))	**1,069**	**–**	**1,069**
Deferred tax resulting from reduction in tax rate	**–**	**(2)**	**(2)**
Recognised in the profit or loss	**(191)**	**(91)**	**(282)**
Currency translation differences	**(3)**	**1**	**(2)**
At end of the financial year	**875**	**158**	**1,033**
2015			
At beginning of the financial year	–	169	169
Recognised in the profit or loss	–	110	110
Currency translation differences	–	(29)	(29)
At end of the financial year	–	250	250

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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6. DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)

Deferred tax liabilities of the Group (Continued)

Deferred tax assets have not been recognised in respect of the following:

Group	2016 $'000	2015 $'000	Jurisdiction	Expiring year
Unabsorbed tax losses	**7,423**	4,578	Singapore / Philippines / Malaysia	Indefinite
* Unabsorbed tax losses arising from financial year of:				
– 2014	**428**	428	The People's Republic of China	2019
– 2015	**600**	600	The People's Republic of China	2020
– 2016	**779**	–	The People's Republic of China	2021
	1,807	1,028		
	9,230	5,606		
Unabsorbed capital allowances	**7**	3	Singapore / Malaysia	Indefinite
Others	**152**	185	Malaysia / Taiwan	Indefinite
	9,389	5,794		

* The tax losses expired by the end of 5 years from the losses recorded in the respective financial years.

Company	2016 $'000	2015 $'000	Jurisdiction	Expiring year
Unabsorbed tax losses	**3,112**	2,183	Singapore	Indefinite

The unabsorbed tax losses, capital allowances and others that can be carried forward and used to offset against future taxable income are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries. Deferred tax assets have not been recognised in respect of these items due to the uncertainty of its recoverability in foreseeable future.

Notes to the Financial Statements

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7. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Raw materials	**922**	800
Trading goods	**81**	83
	1,003	883

The cost of inventories recognised as expense and included in the 'cost of sales' amounted to $27,269,000 (2015: $7,251,000), of which $Nil (2015: $61,000) pertained to write-down of inventories to net realisable value.

The Group has recognised a reversal of $1,000 (2015: $1,000), being part of an inventory write-down made in previous financial years, as the inventories were sold above the carrying amounts. The reversal has been included in 'cost of sales' in the profit or loss.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables:				
– Third parties	**18,616**	6,673	**–**	–
Less: Allowance for impairment losses	**(967)**	(352)	**–**	–
Trade receivables, net	**17,649**	6,321	**–**	–
Gross amount due from customers for contract work (Note 9)	**21,620**	1,044	**–**	–
Other receivables:				
– Third parties	**1,599**	1,143	**–**	4
– Subsidiaries (non-trade)	**–**	–	**14,155**	13,665
	1,599	1,143	**14,155**	13,669
Less: Allowance for impairment losses				
– Third parties	**(1,057)**	(64)	**–**	–
– Subsidiaries (non-trade)	**–**	–	**(8,336)**	(8,336)
Other receivables, net	**542**	1,079	**5,819**	5,333
Refundable deposits	**1,375**	571	**–**	–
Staff loans	**181**	84	**–**	–
Prepayments	**127**	79	**42**	28
Advances to suppliers	**1,373**	221	**–**	–
GST / VAT receivables	**1,139**	–	**7**	–
	44,006	9,399	**5,868**	5,361

Notes to the Financial Statements

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8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

Included in the trade receivables are amount $1,678,000 and $178,000 (2015: both were $Nil) that relate to notes receivable that are drawn for a period ranging from 59 days to 177 days and retention sum receivables arising from its construction contracts respectively.

Trade receivables are non-interest bearing with credit term of 30 to 90 days.

	Group	
	2016 $'000	**2015 $'000**
Retention sum receivables		
– to be recoverable within 1 year	**178**	–

Subsidiaries (non-trade)

These are unsecured, interest-free and repayable on demand.

Staff loans

These are unsecured, interest-free and repayable on demand.

Movement in allowance for impairment losses of trade and other receivables during the financial year is as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
At beginning of the financial year	416	5,423	8,336	8,336
Acquisition of a subsidiary	311	–	–	–
Allowance made (Note 20)	1,294	2,897	–	–
Allowance written off	–	(3,875)	–	–
Reversal of impairment loss (Note 20)	(15)	(16)	–	–
Disposal of subsidiaries	–	(4,147)	–	–
Currency translation differences	18	134	–	–
At end of the financial year	2,024	416	8,336	8,336

Notes to the Financial Statements

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9. GROSS AMOUNT DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2016	**2015**
	$'000	**$'000**
Aggregate amount of costs incurred and recognised profits (less losses recognised) to date on uncompleted construction contracts	**93,626**	12,937
Less: Progress billings	**(75,497)**	(12,873)
	18,129	64
Presenting:		
Gross amount due from customers for contract work (Note 8)	**21,620**	1,044
Gross amount due to customers for contract work (Note 11)	**(3,491)**	(980)
	18,129	64

10. CASH AND BANK BALANCES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**7,581**	8,455	**40**	1,076
Short-term fixed deposits[i]	**574**	853	**61**	62
Cash and bank balances as per statements of financial position	**8,155**	9,308	**101**	1,138
Less: Short-term fixed deposits pledged[ii]	**(574)**	(853)		
Less: Bank balances pledged[iii]	**(1,272)**	–		
	(1,846)	(853)		
Less: Bank overdraft (Note 12)	**(815)**	(744)		
Cash and cash equivalents as per consolidated statement of cash flows	**5,494**	7,711		

(i) Fixed deposits of the Group and the Company bear interest rates ranging from 0% to 3.35% and at 0% (2015: 0% to 3.20% and at 0%) per annum respectively, and have a maturity period ranging from 1 to 10 months and 1 month (2015: 1 to 12 months and 1 month) respectively from the reporting date.

(ii) These amounts are pledged as security in connection with performance and tender guarantees facilities granted by the banks.

(iii) These amounts are pledged in connection with notes payables (Note 11) and credit facilities by way of performance, banker and tender guarantees granted by the banks.

Notes to the Financial Statements

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10. CASH AND BANK BALANCES (CONTINUED)

The movement in pledged fixed deposits and bank balances:

	Group	
	2016 $'000	2015 $'000
At beginning of the financial year	**853**	573
Acquisition of a subsidiary (Note 5 (c))	**2,202**	–
Placement of pledged deposits	**100**	280
Withdrawn of pledged fixed deposits and bank balances	**(1,298)**	–
Currency translation differences	**(11)**	*
At end of the financial year	**1,846**	853

* Amount less than $1,000.

As at 31 December 2016, the Group has cash and bank balances placed with banks in The People's Republic of China denominated in Chinese Renminbi ("RMB") amounting to $2,861,000 or RMB13,720,000 (2015: $2,818,000 or RMB12,926,000). The RMB is not freely convertible into foreign currencies. Under The People's Republic of China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Trade payables:				
– Third parties(i)	**15,331**	2,050	**–**	–
Gross amount due to customers for contract work (Note 9)	**3,491**	980	**–**	–
Other payables:				
– Third parties(ii)	**2,576**	648	**151**	84
– Subsidiaries (non-trade)	**–**	–	**1,966**	1,849
– Related party (non-trade)(iii)	**487**	–	**–**	–
Accruals	**1,786**	1,071	**206**	316
Advances from customers	**6,850**	–	**–**	–
Provision for unutilised leave	**171**	150	**–**	–
	30,692	4,899	**2,323**	2,249
Non-current				
Other payable:				
– Subsidiary (non-trade)	**–**	–	**517**	501

Notes to the Financial Statements

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11. TRADE AND OTHER PAYABLES (CONTINUED)

Group

(i) Included in the trade payables is an amount of $1,488,000 (2015: $Nil) that relates to notes payable that are drawn for a period of 3 months.

(ii) Included in the other payables is an amount of $1,245,000 (2015: $Nil) that relates to the remaining outstanding balance due to an independent and unrelated party for the acquisition of a leasehold land and building by one of its subsidiaries during the financial year. The mentioned amount will be settled via bank's borrowing which is successfully obtained subsequent to the reporting date.

(iii) Amount due to a related party of the Company (Note 22) is unsecured, which bears interest at 4.35% per annum and is repayable by 5 September 2017. Accordingly, it is classified within current liabilities as at the reporting date.

Company

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for an amount of $517,000 (2015: $501,000), which bears interest at 3.00% (2015:3.00%) per annum and is repayable by 24 April 2019. Accordingly, it is classified within non-current liabilities as at reporting date.

12. BORROWINGS

	Maturity	Current $'000	Non-current $'000	Total $'000
Group				
2016				
Secured				
Bank overdraft	On demand	**815**	**–**	**815**
Obligations under finance leases	2019	**49**	**63**	**112**
Term loan I[(i)]	26 November 2032	**4**	**104**	**108**
Term loan II[(i)]	1 March 2028	**43**	**515**	**558**
Term loan III[(i)]	20 December 2030	**52**	**167**	**219**
Term loan V[(ii)]	6 December 2017	**1,043**	**–**	**1,043**
Trust receipts[(iii)]	2017	**830**	**–**	**830**
		2,836	**849**	**3,685**

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12. BORROWINGS (CONTINUED)

	Maturity	Current $'000	Non-current $'000	Total $'000
Group				
2015				
Secured				
Bank overdraft	On demand	744	–	744
Obligations under finance leases	2019	40	95	135
Term loan I[(i)]	26 November 2032	4	111	115
Term loan II[(i)]	1 March 2028	63	533	596
Term loan III[(i)]	20 December 2030	41	225	266
Unsecured				
Term loan IV	30 April 2016	39	–	39
		931	964	1,895

(i) These term loans are secured by freehold lands, freehold buildings and leasehold lands and buildings of the Group (Note 3) and by corporate guarantee from the Company.

(ii) This loan represents the existing loan taken up by WHKD, a subsidiary acquired during the financial year for working capital purpose. A related party, which is part of the non-controlling interest of WHKD (Note 22) has provided guarantee for this loan.

(iii) Trust receipts are drawn for a period ranging from 90 days to 150 days and bear effective interest rates ranging from 2.48% to 3.10% per annum. The trust receipts are secured by ways of corporate guarantee from the Company and the fixed deposits of the Group.

Bank overdraft (Floating rate)

The bank overdraft is secured by freehold land and building of a subsidiary and bears an effective interest rate of 7.95% (2015: 8.10%) per annum.

Term loans

The term loans bear the interest rates as follows:

	Interest rate (per annum)	Group 2016	Group 2015
Term loan I	Bank Lending Rate – 2.1%	**4.62%**	4.75%
Term loan II	Bank Lending Rate +1.8%	**2.87%**	3.08%
Term loan III	Bank Lending Rate – 1.9%	**4.70%**	4.95%
Term loan V	Fixed rate	**5.22%**	–
Term loan IV	Fixed rate	**–**	3.15%

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12. BORROWINGS (CONTINUED)

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 3). The average discount rate implicit in the leases is at 4.85% (2015: 5.32%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments $'000	Present value of payments $'000
Group		
2016		
Current portion:		
– Not later than 1 year	**52**	**49**
Non-current portion:		
– Later than 1 year and not later than 5 years	**69**	**63**
	121	**112**
Less: Amounts representing finance charges	**(9)**	**–**
	112	**112**
2015		
Current portion:		
– Not later than 1 year	43	40
Non-current portion:		
– Later than 1 year and not later than 5 years	42	40
– Later than 5 years	57	55
	99	95
	142	135
Less: Amounts representing finance charges	(7)	–
	135	135

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13. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of ordinary shares	$'000	Number of ordinary shares	$'000
Issued and fully paid ordinary shares				
At beginning of the financial year	**33,202,147**	44,980	**276,684,812**	36,985
Issued for acquisition of a subsidiary (Note 5(c))	**19,124,454**	6,425	**–**	–
Rights shares issued (i)	**–**	–	**387,358,736**	8,135
Shares issue expenses	**–**	–	**–**	(140)
	52,326,601	51,405	**664,043,548**	44,980
Shares consolidation (ii)	**–**	–	**(630,841,401)**	–
At end of the financial year	**52,326,601**	51,405	**33,202,147**	44,980

(i) A rights issue of 387,358,736 new ordinary shares at an issue price of $0.021 for each rights share was made by the Company on 5 March 2015 to the entitled shareholders on the basis of seven (7) Rights share for every five (5) existing ordinary shares rights held. The rights issue has been undertaken to strengthen the financial position and capital base of the Company and to provide additional working capital for the operations of the Group. Further the rights issue was also to provide the shareholders an opportunity to further participate in the equity of the Company, allowed the Group to repay its existing indebtedness and be less reliant on external sources of funding. Accordance to the rights issue exercise, the Company has issued and allocated:

- 274,564,035 ordinary shares amounting to $5,765,845, by way of cash proceeds; and
- 112,794,701 ordinary shares amounting to $2,368,689, by way of capitalising certain amounts which related to the amounts payable to a director-related company, an individual shareholder, a director of the Company and other payable (Note 11).

(ii) On 1 December 2015, the Company completed a share consolidation of every twenty (20) existing issued shares into one (1) ordinary share. As a result, the total number of issued shares has been reduced to 33,202,147 as of 31 December 2015.

The newly issued shares rank pari passu in all respects with previously issued shares. 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.

On 6 November 2014, the shareholders of the Company have approved the proposed Darco Performance Share Plan ("Share Plan") as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and Directors.

Directors of the Company and its subsidiaries (including Non-Executive Directors) and Directors and employees of an associated company where the Company has control over the associated company are eligible in the Share Plan. The number of shares available under the said Share Plan will be subject to the maximum limit of 15% of the Company's total issued shares.

As at the date of this report, no shares have been granted under the Share Plan.

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14 (a). OTHER RESERVES

	Foreign currency translation reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Statutory reserve* $'000	Total $'000
Group				
2015				
At beginning of the financial year	(4,211)	(140)	–	(4,351)
Net exchange differences on translation of financial statements of foreign subsidiaries	(1,249)	–	–	(1,249)
Non-controlling interests	47	–	–	47
Realisation on disposal of subsidiaries (Note 28 (c))	2,168	140	–	2,308
At end of the financial year	(3,245)	–	–	(3,245)
2016				
At beginning of the financial year	**(3,245)**	**–**	**–**	**(3,245)**
Net exchange differences on translation of financial statements of foreign subsidiaries	**(379)**	**–**	**–**	**(379)**
Non-controlling interests	**63**	**–**	**–**	**63**
Allocation to statutory reserve	**–**	**–**	**230**	**230**
At end of the financial year	**(3,561)**	**–**	**230**	**(3,331)**

* In accordance with the Foreign Enterprise Law of The People's Republic of China ("PRC"), the subsidiary, being part of a foreign-owned enterprise is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the statutory reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary's registered capital, the enterprise will not be required to make any additional contribution.

The statutory reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

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14 (b). ACCUMULATED LOSSES

	Company	
	2016 $'000	2015 $'000
At beginning of the financial year	**(36,834)**	(37,815)
(Loss) / Profit for the financial year	**(620)**	981
At end of the financial year	**(37,454)**	(36,834)

15. REVENUE

	Group	
	2016 $'000	2015 $'000
Revenue from construction contracts	**39,710**	6,555
Rendering of services	**11,004**	11,707
Sale of goods	**10,032**	8,548
	60,746	26,810

16. OTHER INCOME

	Group	
	2016 $'000	2015 $'000
Bad debts recovered	**14**	–
Gain on bargain purchase arising from business combination (Note 5(c))	**4,167**	–
Gain on disposal of property, plant and equipment	**14**	10
Gain on foreign exchange, net	**142**	595
Government grants	**93**	7
Interest income	**23**	28
Miscellaneous income	**225**	173
	4,678	813

17. FINANCE COSTS

	Group	
	2016 $'000	2015 $'000
Interest expenses on:		
– amount owing to a related party (Note 22)	**24**	–
– borrowings	**112**	108
– finance leases	**6**	5
– trust receipts	**1**	–
	143	113

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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18. PERSONNEL EXPENSES

	Group	
	2016 $'000	2015 $'000
Continuing operations		
Directors of the Company:		
– Directors' fees	**188**	251
– Directors' remuneration and related costs	**447**	344
– Defined contributions plan expenses	**18**	11
Directors of the subsidiaries:		
– Directors' fees	**226**	186
– Directors' remuneration and related costs	**473**	543
– Defined contributions plan expenses	**41**	46
Other key management personnel (non-directors):		
– Salaries and related costs	**72**	163
– Defined contributions plan expenses	**15**	17
Total key management personnel remuneration	**1,480**	1,561
Other personnel:		
Continuing operations		
– Salaries and related costs	**8,364**	6,926
– Defined contributions plan expenses	**1,050**	680
	9,414	7,606
Discontinuing operation		
– Salaries and related costs	**–**	240
– Defined contributions plan expenses	**–**	14
	–	254
	10,894	9,421
Total personnel expenses comprise:		
Continuing operations		
– Salaries and related costs	**9,770**	8,413
– Defined contributions plan expenses	**1,124**	754
	10,894	9,167
Discontinuing operation		
– Salaries and related costs	**–**	240
– Defined contributions plan expenses	**–**	14
	–	254
	10,894	9,421

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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18. PERSONNEL EXPENSES (CONTINUED)

Total key management personnel remuneration included as above include:

	Group	
	2016 **$'000**	**2015** **$'000**
Short-term employee benefits	**1,406**	1,487
Defined contributions plan expenses	**74**	74
	1,480	1,561

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and respective subsidiaries, including all directors of the Company and respective subsidiaries.

19. INCOME TAX EXPENSE

Major components of income tax expense for the financial year ended 31 December were:

	Group	
	2016 **$'000**	**2015** **$'000**
Continuing operations		
Current tax		
– Current year	**727**	440
– Over provision in the previous financial years	**(19)**	(31)
	708	409
Deferred tax (Note 6)		
– Current year	**(259)**	154
– Reduction in tax rate	**(2)**	–
– Over provision in the previous financial years	**(100)**	(51)
	(361)	103
Income tax expense	**347**	512

Notes to the Financial Statements

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19. INCOME TAX EXPENSE (CONTINUED)

The reconciliation of income tax expense and the product of accounting profit / (loss) multiplied by the applicable rate is as follows:

	Group	
	2016 **$'000**	**2015** **$'000**
Accounting profit / (loss):		
– Continuing operations	**3,738**	297
– Discontinued operation (Note 28 (a))	**–**	(2,677)
	3,738	(2,380)
Gain on disposal of discontinued operation (Note 28 (a))	**–**	2,095
	3,738	(285)
Tax at the applicable tax rate of 17% (2015: 17%)	**635**	(48)
Tax effects of:		
– different tax rates in other countries	**(92)**	97
– tax incentives	**(45)**	(37)
– expenses not deductible for tax purposes	**117**	671
– income not subject to tax	**(855)**	(456)
– deferred tax asset on losses not recognised	**717**	365
– utilisation of previously unrecognised tax losses	**(15)**	–
– others	**6**	2
– over provision of current tax in the previous financial years	**(19)**	(31)
– deferred tax resulting from reduction in tax rate	**(2)**	–
– over provision of deferred tax in the previous financial years	**(100)**	(51)
Income tax expense	**347**	512

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subjected to an applicable tax rate of 17% (2015: 17%). Certain subsidiaries are in a tax loss position for both the financial years ended 31 December 2016 and 2015 and hence they are not subjected to tax in the respective years.

Wuhan Kaidi Water Services Co., Ltd.

In accordance with the Income Tax Law of The People's Republic of China ("PRC") for New and High Technology Enterprise and various documents issued by the Tax Bureau of the PRC, the subsidiary, being awarded the "High Technology Enterprise" status, enjoys a concessionary tax rate of 15%, from year 2014 to 2017 as compared to the statutory tax rate for PRC companies of 25%. The tax status is expected to be renewed after the expiration on year 2017.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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19. INCOME TAX EXPENSE (CONTINUED)

Malaysia subsidiaries

Malaysia subsidiaries are subjected to an applicable tax rate of 24% (2015: 25%). Certain subsidiaries are in a tax loss position for both the financial years ended 31 December 2016 and 2015 and hence they are not subjected to tax in the respective years.

Taiwan subsidiaries

Taiwan subsidiaries are subjected to an applicable tax rate of 17% (2015: 17%).

Shanghai Darco Engineering Co., Ltd. (PRC)

This subsidiary is subjected to an applicable tax rate of 25% (2015: 25%). It is in a tax loss position for both the financial years ended 31 December 2016 and 2015 and hence it is not subjected to tax.

Darco Environmental (Philippines) Inc.

This subsidiary is subjected to an applicable tax rate of 30% (2015: 30%). It is in a tax loss position for the financial years ended 31 December 2016 and 2015 and hence it is not subjected to tax.

20. TOTAL PROFIT / (LOSS) FOR THE FINANCIAL YEAR

This is determined after charging / (crediting) the following:

	Group	
	2016 **$'000**	**2015** **$'000**
Continuing operations		
Amortisation of intangible assets (Note 4)	**1,349**	–
Auditors' remuneration paid / payable to:		
– auditor of the Company	**182**	222
– other auditors	**86**	87
Depreciation of property, plant and equipment (Note 3)	**680**	507
Impairment loss of property, plant and equipment (Note 3)	**–**	53
Impairment loss on trade and other receivables (Note 8)	**1,294**	80
Reversal of impairment loss on trade receivables (Note 8)	**(15)**	(16)
Inventories written down (Note 7)	**–**	61
Legal and other professional fees	**1,162**	480
Rental expenses for operating leases	**568**	480
Personnel expenses (Note 18)	**10,894**	9,167
Property, plant and equipment written off	**–**	2
Gain on bargain purchase arising from business combination (Note 5(c))	**(4,167)**	–
Gain on disposal of property, plant and equipment	**(14)**	(10)
Gain on disposal of subsidiaries, included as loss from discontinued operation line item (Note 28)	**–**	(2,095)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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20. TOTAL PROFIT / (LOSS) FOR THE FINANCIAL YEAR (CONTINUED)

	Group	
	2016 $'000	2015 $'000
Discontinued operation		
Impairment loss on trade and other receivables (Note 8)	–	2,817
Legal and other professional fees	–	3
Personnel expenses (Note 18)	–	254
Rental expenses for operating leases	–	3

21. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The calculation of earnings / (loss) per share is based on the following:

	Group	
	2016	2015
Net profit / (loss) attributable to equity holders of the Company ($'000)		
– Continuing operations	**2,572**	(552)
– Discontinuing operation	–	711
	2,572	159
Weighted average number of ordinary shares outstanding for basic earnings / (loss) per share – adjusted	**46,840,077**	30,947,305
Basic and diluted earnings / (loss) per share (cents)		
– Continuing operations	**5.49**	(1.78)
– Discontinuing operation	–	2.30
	5.49	0.52

As disclosed in Note 13, the Company had completed the following in the 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 / (loss) 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 previous financial year.

Diluted earnings / (loss) per share is the same as the basic earnings / (loss) per share as there were no share options, warrants or other compound financial instruments with dilutive effect were granted during the financial year or outstanding at the end of the financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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22. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 2) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are disclosed in this note.

Nature of related party and the transaction:
Immediate after the acquisition of WHKD (Note 5(c)) by the Group, one of the vendor, Wuhan Liankai Investment Co., Ltd. ("WHLK") owns 25.58% in the Company's shares. In September 2016, WHLK granted an extension on the repayment due date on the existing short-term loan to WHKD in which WHLK still owns 13%. Outstanding balance as at 31 December 2016 arising from the loan and the relevant terms are disclosed in Note 11. Interest expense recognised during the financial year on this loan amounted to $24,000 as disclosed in Note 17.

As disclosed in Note 12, WHLK is also the guarantor of a pre-existing term loan of WHKD, at no charges.

23. CONTINGENCIES AND COMMITMENTS

(i) Contingent liabilities

The Group has provided the following guarantees as at 31 December:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Corporate guarantees provided to banks and financial institutions for credit facilities granted to subsidiaries (Note 25(ii))	**–**	–	**1,157**	381
Performance guarantee to customers for performance of the contracts during the contract and warranty periods	**–**	139	**–**	–

The Company has also given undertakings to continue to provide financial support to certain subsidiaries as and when required to allow them to meet their obligations.

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial years ended 31 December 2016 and 31 December 2015.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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23. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(ii) Operating lease commitments – Where the Group is a lessee

The Group leases lands, staff hostels, factories, warehouses and offices from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Future minimum lease payments		
– Not later than 1 year	**381**	400
– Later than 1 year and not later than 5 years	**101**	123
	482	523

24. SEGMENT INFORMATION

For management purposes, the Group has three operating and reportable segments – Engineered Environmental Systems ("EE Systems"), Water Management Services ("WM Services") and Trading. The principal activities of the Group's operating segments are summarised as follows:

(i) EE Systems – Designs, fabricates, assembles, installs and commission engineered water systems for industrial application;
(ii) WM Services – Services and maintains product water and wastewater systems; and
(iii) Trading – Trades and supplies 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 (the chief operating decision maker) based on gross 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.

As disclosed in Note 28, the results, assets and liabilities pertaining to DET Disposal Group, which had operation in each of the three segments above, are included in the discontinued operation in the previous financial year.

Notes to the Financial Statements

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24. SEGMENT INFORMATION (CONTINUED)

Business segments

The information for the reportable segments for the financial years ended 31 December 2016 and 2015 is as follows:

2016	Continuing operations				
	EE Systems $'000	WM Services $'000	Trading $'000	Eliminations $'000	Total $'000
Revenue					
Sales to external customers	39,710	11,004	10,032	–	60,746
Inter-segment sales	–	–	2	(2)	–
Total	39,710	11,004	10,034	(2)	60,746
Segment profit	4,825	5,063	3,967	–	13,885
Other information:					
Additions to property, plant and equipment	2,814	394	114	–	3,322
Impairment loss on trade and other receivables	–	–	(344)	–	(344)
Amortisation of intangible assets	1,349	–	–	–	1,349
Depreciation of property, plant and equipment	36	361	156	–	553
Finance costs	(1)	(16)	(6)	–	(23)
Gain on disposal of property, plant and equipment	–	–	14	–	14
Interest income	10	2	3	–	15
Assets					
Segment assets	53,348	4,771	6,924	–	65,043
Liabilities					
Segment liabilities	28,180	1,314	3,187	–	32,681

Notes to the Financial Statements

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24. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

2015	Continuing operations					Discontinued operation
	EE Systems $'000	WM Services $'000	Trading $'000	Eliminations $'000	Total $'000	Total $'000
Revenue						
Sales to external customers	6,555	11,707	8,548	–	26,810	89
Inter-segment sales	–	–	20	(20)	–	–
Total	6,555	11,707	8,568	(20)	26,810	89
Segment profit / (loss)	2,769	2,474	2,454	–	7,697	(561)
Other information:						
Additions to property, plant and equipment	2	49	313	–	364	–
Impairment loss on trade and other receivables	–	–	(80)	–	(80)	(2,817)
Depreciation of property, plant and equipment	(19)	(228)	(198)	–	(445)	–
Finance costs	–	(19)	(5)	–	(24)	(94)
Impairment loss of property, plant and equipment	–	(53)	–	–	(53)	–
Gain on disposal of property, plant and equipment	–	–	10	–	10	–
Interest income	1	4	1	–	6	*
Assets						
Segment assets	5,628	10,161	5,987	–	21,776	–
Liabilities						
Segment liabilities	1,865	1,858	1,014	–	4,737	–

* Amount less than $1,000.

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24. SEGMENT INFORMATION (CONTINUED)

Reconciliation

(i) Segment profits / (loss)

The following items are added to / (deducted from) segment profit / loss to arrive at "profit / (loss) before income tax" as presented in the consolidated statement of profit or loss and other comprehensive income:

	Continuing operations		Discontinued operation
	2016	**2015**	**2015**
	$'000	**$'000**	**$'000**
Segment profit / (loss) from the reportable segments	**13,885**	7,697	(561)
Other income	**4,678**	813	1,409
Distribution expenses	**(1,494)**	(329)	–
Administrative expenses	**(13,188)**	(7,771)	(832)
Other expenses	**–**	–	(2,599)
Finance costs	**(143)**	(113)	(94)
Profit / (Loss) before income tax	**3,738**	297	(2,677)

(ii) Other material information

	Continuing operations		Discontinued operation
	2016	**2015**	**2015**
	$'000	**$'000**	**$'000**
Additions to property, plant and equipment			
Segment total	**3,322**	364	–
Unallocated:			
– Relates to general and corporate assets	**114**	172	–
	3,436	536	–
Depreciation of property, plant and equipment			
Segment total	**(553)**	(445)	–
Unallocated:			
– Relates to general and corporate assets	**(127)**	(62)	–
	(680)	(507)	–
Impairment loss on trade and other receivables			
Segment total	**(344)**	(80)	(2,817)
Unallocated:			
– Relates to general and corporate assets	**(950)**	–	–
	(1,294)	(80)	(2,817)

Notes to the Financial Statements

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24. SEGMENT INFORMATION (CONTINUED)

Reconciliation (Continued)

(ii) Other material information (Continued)

	Continuing operations		Discontinued operation
	2016	2015	2015
	$'000	$'000	$'000
Interest income			
Segment total	**15**	6	*
Unallocated:			
– Arising from general and corporate used	**8**	22	–
	23	28	*
Finance costs			
Segment total	**(23)**	(24)	(94)
Unallocated:			
– Relating to borrowings for general working capital purpose	**(120)**	(89)	–
	(143)	(113)	(94)

* Amount less than $1,000.

(iii) Segment assets

Segment assets are reconciled to total assets as follows:

	Continuing operations		Discontinued operation
	2016	2015	2015
	$'000	$'000	$'000
Segment assets for reportable segments	**65,043**	21,776	–
Unallocated assets:			
– Deferred tax assets	**318**	144	–
– Property, plant and equipment	**1,691**	132	–
– Other receivables	**431**	334	–
– Income tax recoverable	**218**	140	–
– Cash and bank balances	**2,670**	2,477	–
	70,371	25,003	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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24. SEGMENT INFORMATION (CONTINUED)

Reconciliation (Continued)

(iv) Segment liabilities

Segment liabilities are reconciled to total liabilities as follows:

	Continuing operations		Discontinued operation
	2016	2015	2015
	$'000	$'000	$'000
Segment liabilities for reportable segments	**32,681**	4,737	–
Unallocated liabilities:			
– Deferred tax liabilities	**1,033**	250	–
– Income tax payable	**105**	13	–
– Other payables	**1,026**	1,058	–
– Borrowings	**1,143**	1,187	–
	35,988	7,245	–

Geographical segments

The Group's three operating segments operate in five main geographical areas:

(i) Taiwan – the operations in this area are principally the design, fabrication and installation of water and waste water pollution control engineering, air pollution control engineering, solid waste disposal treatment and incineration, noise and vibration prevention engineering, soil pollution control engineering and environmental monitoring system.

(ii) Malaysia – the operations in this area are principally the designing, installing, setting up and maintaining of industrial waste treatment plant ultra-pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment, spare parts and chemicals.

(iii) The People's Republic of China – the operations in this area are principally the supply of potable water, design, fabrication, installation and commissioning of environmental engineering system and providing consultancy services in relation to such business as well as designing, installing, setting up and maintaining of industrial waste treatment plant ultra-pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment, spare parts and chemicals.

(iv) Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business.

(v) Other countries – the operations include the design, installation and commissioning of treatment systems for water purification, treatment of waste water and other waste discharge for industrial use in Philippines.

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24. SEGMENT INFORMATION (CONTINUED)

Geographical segments (Continued)

Revenue and non-current assets information based on the geographical location of customers are as follows:

2016	Revenue			Non-current assets		
	Continuing operations		Discontinued operation	Continuing operations		Discontinued operation
	2016	2015	2015	2016	2015	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Malaysia	**23,594**	18,806	–	**1,929**	1,051	–
Singapore	**5,452**	3,173	–	**1,052**	1,721	–
Taiwan	**3,635**	3,678	89	**2,022**	2,188	–
The People's Republic of China	**27,928**	799	–	**11,609**	117	–
Other countries	**137**	354	–	**1**	3	–
	60,746	26,810	89	**16,613**	5,080	–

Non-current assets presented above are non-current assets as presented in the statements of financial position excluding deferred tax assets.

Major customers

Revenue of approximately $11,736,000 (2015: $1,458,000) of the Group's total revenue is derived from 2 external customers (2015: 1 external customer) based in The People's Republic of China (2015: Singapore), which is attributable to the "EE Systems" segment.

None of the customers in the "WM Services" and "Trading" segment contributed to more than 10% of the Group's total revenue.

Notes to the Financial Statements

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25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management of the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

(i) Market risk

(a) Foreign exchange risk

The Group operates in Asia with dominant operations in Singapore, The People's Republic of China, Taiwan, Malaysia and Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Foreign exchange risk arises for transactions that are mainly denominated in foreign currencies such as the United States dollars ("USD"), Malaysia ringgit ("MYR"), New Taiwan dollars ("NTD"), Chinese Renminbi ("RMB") and others.

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in The People's Republic of China, Malaysia and Taiwan is managed primarily through borrowings denominated in the relevant foreign currencies.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

The Group's currency exposure based on the information provided to the key management is as follows:

Group 2016	SGD $'000	USD $'000	MYR $'000	NTD $'000	RMB $'000	Others* $'000	Total $'000
Financial assets							
Trade and other receivables	2,765	241	6,335	983	30,966	77	41,367
Cash and bank balances	1,480	347	1,638	1,637	2,878	175	8,155
Intragroup receivables	13,541	1,889	609	1,874	1,985	–	19,898
	17,786	2,477	8,582	4,494	35,829	252	69,420
Financial liabilities							
Borrowings	255	630	1,200	558	1,042	–	3,685
Trade and other payables	1,346	493	2,761	749	14,760	71	20,180
Intragroup payables	13,541	1,889	609	1,874	1,985	–	19,898
	15,142	3,012	4,570	3,181	17,787	71	43,763
Net financial assets / (liabilities)	2,644	(535)	4,012	1,313	18,042	181	25,657
Add: Forward foreign exchange contracts	–	97	–	–	–	–	97
Less: Net financial assets denominated in the respective entities' functional currencies	(2,855)	–	(4,636)	(493)	(18,077)	(102)	(26,163)
Foreign currency exposure	(211)	(438)	(624)	820	(35)	79	(409)

* Others are denominated in Thailand baht, Euro, Australian dollars, Indonesian rupiah and Peso.

As at 31 December 2016, the Group has forward foreign exchange contracts outstanding with notional amount of US$97,000, which were to mitigate the effect of foreign exchange rate fluctuation against the United States dollars. The Group does not account for the fair value gain arising from the forward foreign exchange contracts since the fair value gain is insignificant at $2,000 as at 31 December 2016 and these forward foreign exchange contracts will mature in 2017.

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25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group 2015	SGD $'000	USD $'000	MYR $'000	NTD $'000	RMB $'000	Others* $'000	Total $'000
Financial assets							
Trade and other receivables	421	853	5,109	2,111	521	84	9,099
Cash and bank balances	3,189	618	1,247	1,290	2,836	128	9,308
Intragroup receivables	13,019	2,210	563	1,290	8	–	17,090
	16,629	3,681	6,919	4,691	3,365	212	35,497
Financial liabilities							
Trade and other payables	917	344	1,029	1,170	219	90	3,769
Borrowings	70	–	1,252	573	–	–	1,895
Intragroup payables	13,019	2,210	563	1,290	8	–	17,090
	14,006	2,554	2,844	3,033	227	90	22,754
Net financial assets	2,623	1,127	4,075	1,658	3,138	122	12,743
Less: Net financial assets denominated in the respective entities' functional currencies	(2,598)	–	(4,075)	(370)	(3,143)	(28)	(10,214)
Foreign currency exposure	25	1,127	–	1,288	(5)	94	2,529

* Others are denominated in Euro, Indonesian rupiah and Peso.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company 2016	SGD $'000	USD $'000	NTD $'000	RMB $'000	Euro $'000	Total $'000
Financial assets						
Trade and other receivables	**4,478**	**–**	**1,341**	**–**	**–**	**5,819**
Cash and bank balances	**5**	**17**	**–**	**18**	**61**	**101**
	4,483	**17**	**1,341**	**18**	**61**	**5,920**
Financial liabilities						
Trade and other payables	**971**	**1,869**	**–**	**–**	**–**	**2,840**
Net financial assets / (liabilities)	**3,512**	**(1,852)**	**1,341**	**18**	**61**	**3,080**
Less: Net financial assets denominated in the Company's functional currency	**(3,512)**	**–**	**–**	**–**	**–**	**(3,512)**
Foreign currency exposure	**–**	**(1,852)**	**1,341**	**18**	**61**	**(432)**

Company 2015	SGD $'000	USD $'000	NTD $'000	RMB $'000	Euro $'000	Total $'000
Financial assets						
Trade and other receivables	4,045	–	1,288	–	–	5,333
Cash and bank balances	1,018	34	–	19	67	1,138
	5,063	34	1,288	19	67	6,471
Financial liabilities						
Trade and other payables	922	1,828	–	–	–	2,750
Net financial assets / (liabilities)	4,141	(1,794)	1,288	19	67	3,721
Less: Net financial assets denominated in the Company's functional currency	(4,141)	–	–	–	–	(4,141)
Foreign currency exposure	–	(1,794)	1,288	19	67	(420)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2015: 5%) increase and decrease in the functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2015: 5%) change in foreign currency rates.

If the foreign currencies strengthen by 5% (2015: 5%) against the relevant functional currencies, with all other variables held constant, the profit for the financial year will increase / (decrease) (2015: loss for the financial year will increase / (decrease)) by:

	SGD $'000	USD $'000	MYR $'000	NTD $'000	RMB $'000	Others** $'000
2016						
Group						
Profit for the financial year	**(9)**	**(18)**	**(26)**	**34**	**(1)**	**3**
Company						
Loss for the financial year	**–**	**77**	**–**	**(56)**	**(1)**	**(3)**
2015						
Group						
Loss for the financial year	(1)	(47)	–	(53)	*	(4)
Company						
Profit for the financial year	–	(74)	–	53	1	3

* Amount less than $1,000.

** Others are denominated in Thailand baht, Euro, Australian dollars, Indonesian rupiah and Peso.

A 5% (2015: 5%) weakening of foreign currencies against the respective functional currencies at the reporting date would have had the equal opposite effect on the above currencies to the amount shown above, on the basis that all other variables held constant.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, is as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets – fixed deposits (Note 10)	**574**	853	**61**	62
Financial liabilities				
– Due to a related party (non-trade) (Note 11)	**(487)**	–	**–**	–
– Due to a subsidiary (non-trade) (Note 11)	**–**	–	**(517)**	(501)
– Borrowings (Note 12)	**(1,985)**	(174)	**–**	–
	(1,898)	679	**(456)**	(439)
Variable rate instruments				
Financial liabilities				
– Borrowings	**(1,700)**	(1,721)	**–**	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

If the interest rates had been 50 basis point higher or lower and all other variables held constant, the profit for the financial year will (decrease) / increase (2015: loss for the financial year will increase / (decrease)) by:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Profit / (loss) for the financial year	**(8)**	(3)	**2**	(2)

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash and bank balances as disclosed in Note 10.

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve comprises borrowings (Note 12) and cash and bank balances (Note 10) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring liquidity ratios and maintaining debt financing plans.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group and the Company can be required to pay and includes both interest and principal cash flows.

Group	On demand or within 1 year $'000	Between 2 to 5 years $'000	Over 5 years $'000	Total $'000
2016				
Trade and other payables	**20,180**	**–**	**–**	**20,180**
Borrowings	**3,005**	**363**	**646**	**4,014**
	23,185	**363**	**646**	**24,194**
2015				
Trade and other payables	3,769	–	–	3,769
Borrowings	1,006	385	755	2,146
	4,775	385	755	5,915

Company	On demand or within 1 year $'000	Between 2 to 5 years $'000	Total $'000
2016			
Trade and other payables	**2,323**	**553**	**2,876**
Financial guarantee contracts (Note 23 (i))	**1,157**	**–**	**1,157**
	3,480	**553**	**4,033**
2015			
Trade and other payables	2,249	553	2,802
Financial guarantee contracts (Note 23 (i))	381	–	381
	2,630	553	3,183

Trade and other payables of the Group are non-interest bearing and normally settle on a range of 30 to 120 days terms. Except for an amount of $517,000 (2015: $501,000) (Note 11) payable by April 2019, trade and other payables of the Company including balances owing to subsidiaries that are repayable on demand. These are included as liabilities payable on demand or within one year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are cash and bank balances and trade and other receivables. Cash and bank balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statements of financial position, except for guarantees as disclosed in Note 23 (i).

Credit risk concentration included in the Group's trade receivables (Note 8) as at 31 December 2016 is:

(a) 3 debtors (2015: Nil) in PRC in environmental engineering business that individually represented 5%-12% (2015: Nil) of the Group's trade receivables, as part of "EE Systems" segment; and

(b) 2 debtors (2015: 3 debtors) in Malaysia that individually represented 4%-5% (2015: 3%-6%) of the Group's trade receivables, as part of "Trading System" segment.

Credit risk concentration included in the Group's gross amount due from customers for contract work (Note 8) as at 31 December 2016 is 2 debtors (2015: Nil) in PRC in environmental engineering business that individually represented 10%- 20% (2015: Nil) of the Group's gross amount due from contract customers for contract work, as part of "EE Systems" segment.

The amounts presented in the statements of financial position are net of allowance for impairment losses of trade receivables, estimated by management based on prior experience and the current economic environment. The age analysis of trade receivables is as follows:

	Group	
	2016 $'000	**2015 $'000**
Not past due and not impaired	**13,649**	3,557
Past due but not impaired		
– Past due 0 to 3 months	**3,006**	2,148
– Past due 3 to 6 months	**268**	616
– Over 6 months	**726**	–
	4,000	2,764
Past due and impaired trade receivables	**967**	352
Less: Allowance for impairment losses	**(967)**	(352)
	17,649	6,321

The movement in allowance for impairment losses is disclosed in Note 8.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Trade receivables that are individually determined to be impaired at the reporting date related to debtors that are in significant financial difficulties and have defaulted on payments as well as by reference to past default experience. Included in the Group's trade receivables balances are debtors with total carrying amount of $4,000,000 (2015: $2,764,000), which are past due but not impaired as there has not been a significant change in credit quality because they are companies with good collection track record and no recent history of default and thus the amounts are still considered recoverable.

The Group's trade receivables of $13,649,000 (2015: $3,557,000) that are neither past due and not impaired are with creditworthy debtors with good collection record with the Group. Management is in the view that these balances are fully recoverable.

As at the reporting date, the Company provided an impairment allowance of an aggregate amount of $8,336,000 (2015: $8,336,000) on advances to its subsidiaries (non-trade) as disclosed in Note 8. This relates to the portion that the subsidiaries are deemed financially unable to repay to the Company.

As at the reporting date, the Group provided an impairment allowance of an aggregate amount of $1,057,000 (2015: $64,000) on other receivables as disclosed in Note 8. This pertains to a former group company which is deemed financially unable to repay to the Group.

(iv) Financial instruments by category

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets:				
– Loans and receivables (including cash and bank balances)	**49,522**	18,407	**5,920**	6,471
Financial liabilities at amortised cost	**23,865**	5,664	**2,840**	2,750

Capital risk management objectives and policies

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

25. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management objectives and policies (Continued)

Management monitors capital based on gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 1.7 times (2015: 1.7 times). The Group's strategy, which remains unchanged since 2013 is to maintain a gearing ratio below 1.7 times.

The gearing ratio is calculated as total debts (borrowings) divided by total tangible net worth. Total tangible net worth is calculated as total equity less non-controlling interests less intangible assets.

	Group	
	2016	**2015**
	$'000	**$'000**
Total debts (Note 12)	**3,685**	1,895
Total tangible net worth	**15,455**	15,361
Gearing ratio	**0.24 times**	0.12 times

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

26. 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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26. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(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, either due to their short-term nature or that 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

	Carrying amount		Fair value	
	$'000	$'000	$'000	$'000
Company				
Financial liability				
Due to a subsidiary (non-trade) (Note 11)	517	501	493	472

Determination of fair value

The fair value of loan payable to a subsidiary is estimated by discounting expected future cash flows at market incremental lending rate similar types of lending at the end of the reporting period. The fair value is within Level 3 of the fair value hierarchy.

27. SUBSEQUENT EVENTS

(a) On 26 January 2017, the Company announced that on the same date, they had entered into a placement agreement (the "Placement Agreement") with Stone Robert Alexander and Capital Boom Limited, pursuant to which the Company proposes to issue up to 5,000,000 new ordinary shares in the capital of the Company (the "Placement Shares") at a placement price of $0.60 for each Placement Share (the "Proposed Placement").

On 4 April 2017, the Company announced that they have obtained the in-principle approval for the listing and quotation of the 5,000,000 Placement Shares from the Singapore Exchange Securities Trading Limited. However for the completion of the Proposed Placement with Stone Robert Alexander will be subject to the Shareholders' approval at an extraordinary general meeting to be convened.

Following the allotment and issuance of the Placement Shares, the total number of issued shares has increased from 52,326,601 shares to 57,326,601 shares.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

27. SUBSEQUENT EVENTS (CONTINUED)

(b) On 21 February 2017, the Company announced that it has incorporated a wholly-owned subsidiary company, Darco Environment Vietnam Co., Ltd. in Vietnam. The principal activity of the subsidiary is providing technical consulting service including choosing and using water treatment equipment, equipment installation, and water treatment equipment in construction work.

28. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES

On 27 July 2015, the Company announced that on the same date, they had entered into a sale and purchase agreement ("SPA") with Chonlin Environmental Corporation Ltd. ("CECL"), whereby the Company had agreed to sell the entire issued and paid up capital of the Company's wholly-owned subsidiary, Darco Engineering (Taiwan) Co., Ltd. ("DET") for a consideration of NTD$30 million (approximately $1.32 million).

DET has 51% shareholding equity in Darco Puding Wastewater Management Co., Ltd. as detailed in Note 5 (collectively referred to as the "DET Disposal Group").

Upon the fulfilments of the conditions as stipulated in the SPA, the Company disposed its entire interest in DET and accordingly the Group had deconsolidated the DET Disposal Group from that date, which had resulted in a gain on disposal that amounting to approximately $2.10 million, which was included in the "Loss from discontinued operation" line item.

(a) The results from the DET Disposal Group from 1 January 2015 and up to the date of disposal were presented separately on the statement of profit and loss and other comprehensive income as discontinued operation as follows:

	Disposal Group 2015 $'000
Revenue	89
Cost of sales	(650)
Gross loss	(561)
Other income[i]	1,409
Administrative expenses	(832)
Other expense[ii]	(2,599)
Finance costs – interest expense on borrowings	(94)
Loss before tax from discontinued operation (Note 19)	(2,677)
Income tax	–
Loss for the financial year from discontinued operation	(2,677)
Gain on disposal of discontinued operation (pre and post-tax) (Note 19)	2,095
	(582)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(Amounts in thousands of Singapore dollars ("$'000"))

28. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) The results from the DET Disposal Group from 1 January 2015 and up to the date of disposal were presented separately on the statement of profit and loss and other comprehensive income as discontinued operation as follows (Continued):

(i) Other income comprises the following:

	Disposal Group 2015 $'000
Interest income	*
Gain on foreign exchange, net	6
Miscellaneous income	1
Reversal of payables and accruals following settlement of legal case	1,402
	1,409

* Amount less than $1,000.

(ii) This pertained to an allowance for impairment loss made on the guarantee deposits that were previously being placed with Taoyuan County Government under a build-operate-transfer contract after the court had denied DET Disposal Group's request for the return of the guarantee deposit on 16 July 2015.

(b) The impact of the discontinued operation on the cash flows of the Group was as follows:

	Disposal Group 2015 $'000
Operating cash outflow	(960)
Investing cash inflow	12
Financing cash inflow	899
Total cash outflow	(49)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
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28. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Net liabilities of the DET Disposal Group as at the date on which control was lost were as follows:

	Disposal Group 2015 $'000
Assets:	
Cash and bank balances	491
Trade and other receivables	2,752
Income tax recoverable	*
Total assets	3,243
Liabilities:	
Trade and other payables	5,232
Borrowings	1,010
Total liabilities	6,242
Net liabilities derecognised	(2,999)
Less: Non-controlling interests	(87)
Net liabilities disposed of	(3,086)

* Amount less than $1,000.

The aggregate cash inflow arising from the disposal of DET Disposal Group was:

	Disposal Group 2015 $'000
Net liabilities disposed of (as above)	(3,086)
Reclassification of foreign currency translation reserve (Note 14)	2,308
	(778)
Gain on disposal of subsidiaries (Note 20)	2,095
Total cash proceeds from disposal	1,317
Less: Cash and bank balances disposed of in DET Disposal Group	(491)
Net cash inflow on disposal	826

Statistics of Shareholdings

AS AT 27 MARCH 2017

Class of Shares – Ordinary Share
Number of Shares – 52,326,601
Voting Rights – One vote per share

The Company does not have any Treasury Shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	284	13.08	12,705	0.02
100 – 1,000	1,043	48.02	515,515	0.98
1,001 – 10,000	656	30.20	2,382,907	4.55
10,001 – 1,000,000	182	8.38	12,199,335	23.31
1,000,001 AND ABOVE	7	0.32	37,216,139	71.12
TOTAL	**2,172**	**100.00**	**52,326,601**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	13,425,368	25.66
2.	THYE KIM MENG	7,155,485	13.67
3.	STONE ROBERT ALEXANDER	6,270,000	11.98
4.	KGI SECURITIES (SINGAPORE) PTE LTD	5,851,686	11.18
5.	HELEN YANG	1,608,640	3.07
6.	HUANG JIAN	1,504,800	2.88
7.	HUANG LINGXI	1,400,160	2.68
8.	DBSN SERVICES PTE. LTD.	745,210	1.42
9.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	515,033	0.98
10.	FENG JUN	501,200	0.96
11.	UOB KAY HIAN PRIVATE LIMITED	498,170	0.95
12.	TAN TJIN GUAN @ JIO TJIN GUAN	429,970	0.82
13.	DBS NOMINEES (PRIVATE) LIMITED	370,173	0.71
14.	MARY NG GEOK LAN	349,741	0.67
15.	PHILLIP SECURITIES PTE LTD	340,300	0.65
16.	LEE SUE LIN	318,296	0.61
17.	ANG KAR YEN	315,400	0.60
18.	OCBC SECURITIES PRIVATE LIMITED	272,840	0.52
19.	ROBERT RONALD	267,050	0.51
20.	NG MUI LENG	266,155	0.51
	TOTAL	**42,405,677**	**81.03**

Statistics of Shareholdings

AS AT 27 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 27 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTERESTS		DEEMED INTERESTS	
NO.	NAME	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
1.	Wuhan Liankai Investment Co. Ltd.	13,387,118	25.58	–	–
2.	Wang Yaoyu[(1)]	–	–	13,387,118	25.58
3.	Thye Kim Meng	7,155,485	13.67	–	–
4.	Stone Robert Alexander	6,270,000	11.98	–	–
5.	Wah Lee Industrial Corp.	4,589,869	8.77	–	–

Note:

(1) Mr. Wang Yaoyu ("**Mr. Wang**") hold 25% equity interest of Wuhan Liankai Investment Co., Ltd. ("**Wuhai Liankai**"). Wuhai Liankai owns 13% equity interest of Wuhan Kaidi Water Service Company and 25.58% equity interest of the Company. Mr. Wang is deemed interested in the shares held by Wuhan Liankai by virtue of Section 7 of the Company Act, Chapter 50.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 27 March 2017, 39.54% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Darco Water Technologies Limited (the "**Company**") will be held at 25 Tai Seng Ave #01-01 KOP Building Singapore 534104 on Friday, 28 April 2017 at 2.00 p.m.for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of $87,183 for the financial year ended 31 December 2016. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Regulation 106 and Regulation 115 of the Constitution of the Company:

   Regulation 106

   (i) Mr. Thye Kim Meng **(Resolution 3)**

   (ii) Ms. Heather Tan Chern Ling **(Resolution 4)**

   (iii) Mr. Tay Lee Chye Lester **(Resolution 5)**

   (iv) Mr. Tay Von Kian **(Resolution 6)**

   Regulation 115

   (v) Mr. Wong Yaoyu **(Resolution 7)**

   (vi) Mr. Oh Chee Sien **(Resolution 8)**

   [See Explanatory Note (i)]

4. To re-appoint Messrs Crowe Horwath First Trust LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 9)**

5. To transact any other ordinary business which may properly transacted at an AGM.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, ("**SGX-ST** ") the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and / or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution):

(A) by way of renounceable rights issues on a *pro-rata* basis to Shareholders of the Company ("**Renounceable Rights Issues**") shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below); and

(B) otherwise than by way of Renounceable Rights Issues ("**Other Share Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares excluding treasury Shares (as calculated in accordance with paragraph (3) below);

Notice of Annual General Meeting

(2) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below);

(3) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(A) and (1)(B) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(5) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion AGM of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 10)**

Notice of Annual General Meeting

7. **Authority to issue shares under the Darco Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant awards under the Darco Performance Share Plan (the "**Share Plan**") and to issue from time to time such number of shares in the capital of the Company (excluding treasury shares) as may be required to be issued pursuant to the vesting of share awards under the Share Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 11)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 13 April 2017

Notice of Annual General Meeting

Explanatory Notes:

(i) Ms. Heather Tan Chern Ling will, upon re-election as a Director of the Company, remain as the member of the Audit Committee and will be considered non-independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Mr. Tay Lee Chye Lester will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Mr. Tay Von Kian will upon re-election as a Director of the Company, remain as a Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Mr. Oh Chee Sien will upon re-election as a Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 10 in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 20% may be issued other than on a *pro rata* basis to shareholders, provided that, the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares).

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) at the time Resolution 10 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 10 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for 100% Renounceable Rights Issues ('**Enhanced Rights Issue Limit**") is proposed pursuant to the Singapore Exchange Limited's news release of 13 March 2017 which introduced measure to help companies raise funds expediently for expansion activities or working capital ("**SGX News Release**") and unless extended further by SGX-ST, the authority will expire on 31 December 2018. Unless renewed, the mandate sought at this meeting shall expire at the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

The Board of Directors of the Company is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

(iii) Resolution 11, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of share awards under the Share Plan (for the entire duration of the Share Plan) provided that the aggregate additional shares to be issued pursuant to the Share Plan do not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notice of Annual General Meeting

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21 Marsiling Industrial Estate Road 9 #01-03 Singapore 739175 not less than forty-eight (48) hours before the time appointed for holding the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the AGM and / or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or services providers) for the purpose of the processing and administration by the Company (or its agents or services providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or services providers) to comply with any applicable laws, listing rules, regulations and / or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and / or representative(s) to the Company (or its agents or services providers), the member has obtained the prior consent of such proxy(ies) and / or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and / or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and / or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and / or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I / We ______________________________ (Name), ______________________ (NRIC / Passport No.)

of ____ (Address)

being *a member / members of **DARCO WATER TECHNOLOGIES LIMITED** (the "**Company**"), hereby appoint:

Name	NRIC / Passport No.	Proportion of Shareholdings (%)	
		No. of shares	%
Address			

and / or (delete as appropriate)

Name	NRIC / Passport No.	Proportion of Shareholdings (%)	
		No. of shares	%
Address			

as *my / our proxy / proxies to vote for *me / us on *my / our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 25 Tai Seng Ave #01-01 KOP Building Singapore 534104 on Friday, 28 April 2017 at 2.00 p.m. and at any adjournment thereof. *I / We direct *my / our *proxy / proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy / proxies will vote or abstain from voting at *his / her discretion.

(If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	No. of Votes 'For'*	No. of Votes 'Against'*
1.	Adoption of the Audited Financial Statements for the financial year ended 31 December 2016 and the Auditors' Report		
2.	Approval of Directors' fees amounting to $87,183 for the financial year ended 31 December 2016		
3.	Re-election of Mr. Thye Kim Meng as a Director		
4.	Re-election of Ms. Heather Tan Chern Ling as a Director		
5.	Re-election of Mr. Wang Yaoyu as a Director		
6.	Re-election of Mr. Tay Lee Chye Lester as a Director		
7.	Re-election of Mr. Tay Von Kian as a Director		
8.	Re-election of Mr. Oh Chee Sien as a Director		
9.	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors and authority to Directors to fix remuneration		
	Special Business		
10.	Authority to allot and issue shares		
11.	Authority to issue shares under the Darco Performance Share Plan		

Dated this __________ day of ________________ 2017.

Total Number of Shares in	No. of Shares
CDP Register	
Register of Members	

____
Signature(s) of Member(s)
and Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his / her stead. A proxy need not be a shareholder of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he / she specifies the proportion of his / her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 21 Marsiling Industrial Estate Road 9 #01-03 Singapore 739175 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in according with the Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and / or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and / or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:
The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Protection:
By attending the Meeting and / or any adjournment thereof or submitting an instrument appointing a proxy(ies) and / or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2017.

DARCO

SOLUTIONS TO WATER & WASTE

DARCO WATER TECHNOLOGIES LIMITED
21 Marsiling Industrial Estate Road 9
#01-03, Singapore 739175