

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

**Unaudited Financial Statements For the Full Year Ended 31 December 2015**

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

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

	<b>Full year ended 31 December</b>		
	<b>2015</b>	<b>2014</b>	<b>change</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>%</b>
<b>Continuing operations</b>			
Revenue	27,129	31,236	-13.1%
Cost of sales	<u>(19,432)</u>	<u>(21,806)</u>	-10.9%
<b>Gross profit</b>	<b>7,697</b>	9,430	
Other income	799	1,745	-54.2%
Distribution expenses	(329)	(360)	-8.6%
Administrative expenses	(7,773)	(7,992)	-2.7%
Finance costs	<u>(113)</u>	<u>(271)</u>	-58.3%
<b>Profit before income tax from continuing operations</b>	<b>281</b>	2,552	
Income tax expense	<u>(512)</u>	<u>(413)</u>	24.0%
<b>(Loss)/ Profit after tax from continuing operations, net of tax</b>	<b>(231)</b>	2,139	N.M
<b>Discontinued operation</b>			
<b>Loss from discontinued operation, net of tax</b>	<b>(582)</b>	(1,849)	-68.5%
<b>Net (loss)/ Profit for the year</b>	<b>(813)</b>	290	N.M
<b>(Loss)/ Profit attributable to:</b>			
Equity holders of the Company			
-From continuing operations, net of tax	(568)	1,878	N.M
-From discontinued operation, net of tax	<u>711</u>	<u>(1,817)</u>	N.M
	<b>143</b>	61	
Non-controlling interest			
-From continuing operations, net of tax	337	261	29.1%
-From discontinued operation, net of tax	<u>(1,293)</u>	<u>(32)</u>	
	<b>(956)</b>	229	N.M

**Note:** N.M- Not Meaningful

**1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FULL YEAR ENDED 31 DECEMBER 2015.**

	<b>Full year ended 31 December</b>		
	<b>2015</b>	<b>2014</b>	
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>change</b>
			<b>%</b>
<b>(Loss)/ Profit for the year</b>	<b>(813)</b>	290	N.M
<b>Other comprehensive (loss)/ income:</b>			
<u>Items that may be subsequently reclassified to profit and loss</u>			
Currency translation differences arising from consolidation	<b>(1,156)</b>	121	N.M
Currency translation arising from disposal of a subsidiary	<b>2,309</b>	-	100%
<b>Total comprehensive income for the year</b>	<b>340</b>	411	-17.3%
<b>Total comprehensive (loss)/ income attributable to:</b>			
Equity holders of the Company			
-From continuing operations	<b>(1,771)</b>	2,023	N.M
-From discontinued operation	<b>3,020</b>	(1,798)	N.M
	<b>1,249</b>	225	N.M
Non-controlling interests			
-From continuing operations	<b>384</b>	244	57.4%
-From discontinued operation	<b>(1,293)</b>	(58)	N.M
	<b>(909)</b>	186	N.M

**Note:**

N.M- not meaningful

Discontinued operation

On 27 July 2015, the Company entered into a sale and purchase agreement ("SPA") with Chonlin Environmental Corporation Ltd 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 TWD 30 million (approximately S\$1.25 million).

Upon fulfilment of the conditions stipulated in the SPA, the Group deconsolidated DET and its Subsidiary (Collectively "DET Disposal Group"), which resulted in a gain on disposal amounting to S\$2,095,000.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Included in other income are:	Group Financial Year Ended		change %
	31/12/2015 (S\$'000)	31/12/2014 (S\$'000)	
<b>Continuing operations</b>			
Interest income	28	177	-84.2%
Government grant	7	27	-74.1%
Gain on disposal of property, plant and equipment	10	32	-68.8%
Gain on foreign exchange, net	595	319	86.5%
Gain from settlement arrangement <sup>(1)</sup>	-	1,076	-100.0%
Miscellaneous income	159	114	39.5%
	<u>799</u>	<u>1,745</u>	-54.2%
<b>Discontinued operation</b>			
Interest income	-	2	-100.0%
Gain on disposal of property, plant and equipment	-	6	-100.0%
Gain on disposal of subsidiaries	2,095	-	N.M
	<u>2,095</u>	<u>8</u>	N.M

- (1) Gain from settlement arrangement relates to the settlement amount in relation to the lawsuit in Penang against former employees on 8 April 2014. As part of the settlement agreement, the Group record a gain of approximately S\$1.1 million (RM2.7 million).

Finance expenses:	Group Financial Year Ended		change %
	Unaudited 31/12/2015 (S\$'000)	Audited 31/12/2014 (S\$'000)	
<b>Continuing operations</b>			
Interest expense on:-			
Borrowings	108	263	-58.9%
Finance lease liabilities	5	8	-37.5%
	<u>113</u>	<u>271</u>	-58.3%
<b>Discontinued operation</b>			
Interest expense on:-			
Borrowings	93	123	-24.4%

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Included in the Profit/(Loss) before income tax are:	Group Financial Year Ended		change %
	31/12/2015 (S\$'000)	31/12/2014 (S\$'000)	
<b>Continuing operations</b>			
Allowance for impairment of receivables	80	-	100.0%
Depreciation of property, plant and equipment	501	448	11.8%
Personnel expenses	9,020	8,935	1.0%
Impairment loss of property, plant equipment	53	56	-5.4%
Inventories written down	61	65	-6.2%
Gain on disposal of property, plant and equipment	(10)	(32)	100.0%
Rental expense for operating leases	480	431	11.4%
Property, plant and equipment written off	2	1	100.0%
Writeback of allowance for impairment of receivables	-	(85)	-100.0%
<b>Discontinued operation</b>			
Allowance for impairment of receivables	2,820	26	N.M
Depreciation of property, plant and equipment	-	28	-100.0%
Personnel expenses	292	1,445	-79.8%
Impairment loss of property, plant equipment	-	13	-100.0%
Gain on disposal of property, plant and equipment	-	(6)	100.0%
Rental expense for operating leases	-	56	-100.0%
Writeback of long outstanding trade payables	-	(38)	-100.0%
Writeback of provision due to settlement	(1,404)	-	100.0%

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

	Group		Company	
	Unaudited 31/12/2015 S\$'000	Audited 31/12/2014 S\$'000	Unaudited 31/12/2015 S\$'000	Audited 31/12/2014 S\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	4,175	4,423	-	-
Intangible asset	905	905	-	-
Investment in Subsidiaries	-	-	4,397	4,418
Deferred tax assets	144	136	-	-
	<b>5,224</b>	5,464	<b>4,397</b>	4,418
<b>Current assets</b>				
Inventories	883	953	-	-
Trade and other receivables	9,219	12,480	5,361	773
Income tax recoverable	189	256	-	-
Cash and bank balances	9,308	9,219	1,138	249
	<b>19,599</b>	22,908	<b>6,499</b>	1,022
<b>Total assets</b>	<b>24,823</b>	28,372	<b>10,896</b>	5,440
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	4,735	13,798	2,750	4,548
Borrowings	931	1,645	-	-
Income tax payable	201	1,750	-	-
Total current liabilities	<b>5,867</b>	17,193	<b>2,750</b>	4,548
<b>Non-current liabilities</b>				
Trade and other payables	-	-	-	1,722
Borrowings	964	1,516	-	-
Deferred tax liabilities	250	169	-	-
Total non-current liabilities	<b>1,214</b>	1,685	-	1,722
<b>Total liabilities</b>	<b>7,081</b>	18,878	<b>2,750</b>	6,270
<b>Net assets/ (liabilities)</b>	<b>17,742</b>	9,494	<b>8,146</b>	(830)

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

	<b>Group</b>		<b>Company</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>31/12/2015</b>	<b>31/12/2014</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	<b>44,980</b>	36,985	<b>44,980</b>	36,985
Other reserves	<b>(3,245)</b>	(4,351)	-	-
Accumulated losses	<b>(25,485)</b>	(25,628)	<b>(36,834)</b>	(37,815)
	<b>16,250</b>	7,006	<b>8,146</b>	(830)
Non-controlling interest	<b>1,492</b>	2,488	-	-
<b>Total equity / (deficit)</b>	<b>17,742</b>	9,494	<b>8,146</b>	(830)

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

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

<b>As at 31 Dec 2015</b>		<b>As at 31 Dec 2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
868	63	1,613	32

**Amount repayable after one year**

<b>As at 31 Dec 2015</b>		<b>As at 31 Dec 2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
964	-	1,095	421

**Details of any collateral**

As at 31 December 2015 and 31 December 2014, the secured borrowings are secured by corporate guarantees, freehold land and building, leasehold land and building and a charge over the leased assets.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**



	<b>Full year ended 31 December</b>	
	<b>Unaudited 2015 (S\$'000)</b>	<b>Audited 2014 (S\$'000)</b>
<b>Cashflow used in operating activities</b>		
Profit before tax from continued operation	281	2,552
Loss before tax from discontinued operation	(582)	(1,810)
Adjustment for:-		
Depreciation of property, plant and equipment	501	476
Gain from settlement agreement	-	(1,076)
Gain on disposal of property, plant and equipment	(10)	(38)
Gain on disposal of subsidiaries	(2,095)	-
Property, plant and equipment written off	2	1
Impairment of property, plant and equipment	53	69
Writeback of long outstanding trade payables	-	(38)
Writeback of provision due to settlement	(1,404)	-
Impairment loss on receivables	2,900	26
Interest expenses	206	394
Interest income	(28)	(179)
<b>Operating cashflow before working capital</b>	<u>(176)</u>	<u>377</u>
<b>Change in working capital</b>		
Inventories	41	186
Amount due from/ to customers for contract work	(267)	(2,554)
Trade and other receivables	(3,540)	1,404
Trade and other payables	(903)	(302)
<b>Cash generated used in operations</b>	<u>(4,845)</u>	<u>(889)</u>
Income taxes paid	(296)	(152)
<b>Net cash used in operating activities</b>	<u>(5,141)</u>	<u>(1,041)</u>
<b>Cashflows from investing activities</b>		
Purchase of property, plant and equipment	(493)	(395)
Proceed from disposal of property, plant and equipment	9	145
Placement in available-for-sale financial assets	-	(8,244)
Proceeds from available-for-sale financial assets	-	11,748
Proceeds arising from settlement agreement	-	722
Disposal of subsidiaries, net of cash inflow	826	-
Interest received	28	179
<b>Net cash from investing activities</b>	<u>370</u>	<u>4,155</u>
<b>Cashflows from financing activities</b>		
Cash proceeds from issuance of new shares	5,764	-
Share issuance costs	(140)	-
Loan from a director	-	210
Loan from an individual shareholder	-	1,000
Proceeds from borrowings	-	724
Repayment of borrowings	(141)	(678)
Placement of short term deposits	(178)	(66)
Interest paid	(206)	(394)
Repayment of finance lease liabilities	(56)	(64)
<b>Net cash from financing activities</b>	<u>5,043</u>	<u>732</u>
Net increase in cash and cash equivalents	272	3,846
Cash and cash equivalents at beginning of the year	7,943	4,037
Effect of currency translation differences	(401)	60
<b>Cash and cash equivalents at end of year</b>	<u>7,814</u>	<u>7,943</u>

**1(c)(i) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Full year ended 31 December	
	Unaudited	Restated
	31/12/2015	31/12/2014
	S\$'000	S\$'000
Bank and cash balances as per statement of financial position	9,308	9,219
Short-term bank deposits pledged	(750)	(573)
Bank overdraft	(744)	(703)
Cash and cash equivalents as per Consolidated statement of cashflow	7,814	7,943

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share Capital (S\$'000)	Other reserves (S\$'000)	Accumulated losses (S\$'000)	Total (S\$'000)	Non- Controlling Interest (S\$'000)	Total Equity (S\$'000)
<b>Balance as at 1.1.2015</b>	36,985	(4,351)	(25,628)	7,006	2,488	9,494
Loss for the financial year	-	-	143	143	(956)	(813)
<b>Other comprehensive income</b>						
- Currency translation differences arising from consolidation	-	(1,203)	-	(1,203)	47	(1,156)
- Realisation of foreign currency reserve on disposal of subsidiaries	-	2,309	-	2,309	-	2,309
Total comprehensive income for the financial year	-	1,106	143	1,249	(909)	340
<b>Contribution by owners</b>						
Issuance of shares						
-By way of cash	5,764	-	-	5,764	-	5,764
-By way of capitalising of loans	2,371	-	-	2,371	-	2,371
Shares issuance expenses	(140)	-	-	(140)	-	(140)
<b>Change in ownership interests in subsidiaries</b>						
Disposal of subsidiaries	-	-	-	-	(87)	(87)
<b>Balance as at 31.12.2015</b>	<b>44,980</b>	<b>(3,245)</b>	<b>(25,485)</b>	<b>16,250</b>	<b>1,492</b>	<b>17,742</b>
<b>Balance as at 1.1.2014, as restated</b>	36,985	(4,515)	(25,689)	6,781	2,302	9,083
Profit for the financial year	-	-	61	61	229	290
<b>Other comprehensive income</b>						
- Currency translation differences arising from consolidation	-	164	-	164	(43)	121
Total comprehensive income for the financial year	-	164	61	225	186	411
<b>Balance as at 31.12.2014</b>	<b>36,985</b>	<b>(4,351)</b>	<b>(25,628)</b>	<b>7,006</b>	<b>2,488</b>	<b>9,494</b>

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

<b>Company</b>	<b>Share Capital (S\$'000)</b>	<b>Accumulated Losses (S\$'000)</b>	<b>Total (S\$'000)</b>
<b>Balance at 1 Jan 2015</b>	36,985	(37,815)	(830)
<b>Total comprehensive income for the year</b>	-	981	981
<b>Contribution by owners</b>			
Issuance of shares			
-By way of cash	5,764	-	5,764
-By way of issuance of shares	2,371	-	2,371
Share issuance expenses	(140)	-	(140)
<b>Balance at 31 Dec 2015</b>	<b>44,980</b>	<b>(36,834)</b>	<b>8,146</b>

<b>Company</b>	<b>Share Capital (S\$'000)</b>	<b>Accumulated Losses (S\$'000)</b>	<b>Total (S\$'000)</b>
<b>Balance at 1 Jan 2014</b>	36,985	(37,876)	(891)
<b>Total comprehensive income for the year</b>	-	61	61
<b>Balance at 31 Dec 2014</b>	<b>36,985</b>	<b>(37,815)</b>	<b>(830)</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

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

In addition, the Company's circular dated 28 October 2015 to propose share consolidation of every twenty (20) existing ordinary shares into (1) ordinary share was approved by shareholders at the Extraordinary General Meeting held on 19 November 2015. The share consolidation was completed on 1 December 2015. The issue share capital of the Company comprises 33,202,147 consolidated shares following the share consolidation.

**Issued and paid up capital**

	<b>S\$'000</b>
As at 31 December 2014	36,985
Issuance of ordinary shares	<u>7,995</u>
As at 30 June 2015 and 31 December 2015	<u><b>44,980</b></u>

There are no outstanding convertibles or shares held as treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

**Total number of issued Shares (excluding treasury shares)**

As at 31 December 2014	276,684,812
Issuance of ordinary shares	<u>387,358,736</u>
As at 30 June 2015	664,043,548
Consolidation of ordinary shares	<u>(630,841,401)</u>
<b>As at 31 December 2015</b>	<u><b>33,202,147</b></u>

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfer, disposal, cancellation and /or use of treasury shares during the year ended 31 December 2015.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been reviewed nor audited by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Save as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year as per the most recent audited financial statements for the financial year ended 31 December 2014.

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

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") that are mandatory for financial years beginning on and after 1 Jan 2015, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the financial statements of the Group as at 1 Jan 2015.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.  
(a) Based on the weighted average number of ordinary shares on issue; and  
(b) On a fully diluted basis (detailing any adjustments made to the earnings).**

	<b>Full year ended December</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
<b>Earnings per ordinary shares of the group for the current year reported on and the corresponding period of the immediate preceding financial year:-</b>		
Net profit/ (loss) attributable to equity holders of the Company ( <b>\$'000</b> )		
-Continuing operations	(568)	1,878
-Discontinuing operation	711	(1,817)
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share - adjusted	30,947,305	14,922,327
Basic and diluted earnings/(loss) per share (Cents)		
-Continuing operations	(1.84)	12.59
-Discontinuing operation	2.30	(12.18)

As disclosed above, the Group has undertaken a (7) for (5) rights issue exercise and share consolidation of (20) ordinary shares to (1) share during the financial year ended 31 December 2015. As at year end, the issue share capital of the Company comprises 33,202,147 consolidated shares following the share consolidation. For purpose of calculating basic and diluted earnings per share, the weighted average number of shares have reflected these changes as if the share consolidation were effected for the entire and prior financial year presented.

There were no potentially dilutive ordinary shares in issue as at 31 December 2015 and 31 December 2014.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-  
(a) current financial period reported on; and  
(b) immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>Full year ended Dec</b>		<b>Full year ended Dec</b>	
	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>31/12/2015</b>	<b>31/12/2014</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
	Cents	Cents	Cents	Cents
Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial year.	53.44	3.43	24.53	(0.30)
<b>Number of ordinary shares</b>	33,202,147	276,684,812	33,202,147	276,684,812

Had the effect of the share consolidation took place in FY2014, the net asset value for the Group and the Company in 2014 would be 28.5 cents and -2.5 cents respectively.

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

#### **Revenue from continuing operations and Gross Profit**

The Group's overall revenue from continuing operations decreased by approximately S\$4.1 million or 13.1% from S\$31.2 million in FY2014 to S\$27.1 million in FY2015.

In general, revenue for the Engineered Environmental Systems ("EE Systems") decreased by approximately S\$6.8 million or 51.1% from S\$13.4 million in FY2014 to S\$6.6 million in FY2015. The decrease was mainly due to lesser number of engineering projects secured from the Malaysia subsidiaries in the water engineering sector.

Revenue contributed by the Water Management Services ("WM Services") segment increased by approximately S\$1.4 million or 14.0% from S\$10.3 million in FY2014 to S\$11.7 million in FY2015 mainly due to the service revenue contributed by the Taiwan subsidiary, Darco You Li Co Ltd, which received more orders from the medical waste business.

Sales from the trading of chemical, spare parts and others increased by approximately S\$1.3 million or 17.0% from S\$7.6 million in FY2014 to S\$8.9 million in FY2015. The increase was mainly due to the increase in customer base for spare parts and consumables.

There was no material change in overall GP margin during the year. GP margin was 28.4% in FY2015 and 30.2% in FY2014 respectively.

#### **Other income**

Other income decreased by approximately S\$0.9 million or 54.2% from S\$1.7 million in FY2014 to S\$0.8 million in FY2015. The decrease was mainly due to a one off settlement gain of S\$1.1 million in FY 2014 but not in FY 2015. This relates to the lawsuit in Penang

against former employees on 8 April 2014. As part of the settlement arrangement, the Group recorded a gain of approximately S\$1.1 million (RM2.7 million). The decrease was partly offset by the increase in the gain on foreign exchange of S\$0.3 million.

### **Operating expenses**

The Group's distribution expenses remained constant at approximately S\$0.3 million in FY2015 as compared to FY2014.

There was no material changes to the Group's administrative expenses during the year. Group administrative expenses comprised mainly staff costs, rental, depreciation and impairment loss on receivables.

Finance costs decreased from S\$0.3 million in FY2014 to S\$0.1 million in FY2015. The decrease in finance costs is in line with the decrease in overall borrowings.

Tax expenses increased by approximately S\$0.1 million or 24.0% from S\$0.4 million in FY 2014 to S\$0.5 million in FY2015 mainly due to the utilisation of tax credit against taxable profit for one of its Taiwan's subsidiary in FY2014.

### **Balance sheet**

#### **Current assets**

The Group's current assets comprised of the following items:-

	<b>As at 31 December 2015 (Unaudited)</b>	<b>As at 31 December 2014 (Audited)</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Inventories	883	953
Contract work in progress	566	1,027
Trade receivables	6,632	5,193
Other receivables, deposits and prepayments	2,021	6,260
Income tax recoverable	189	256
Cash and bank balances	9,308	9,219
<b>Total</b>	<b>19,599</b>	<b>22,908</b>

The decrease in current assets was mainly due to the following:

- a) Contract work in progress decreased from S\$1.0 million as at 31 December 2014 to S\$0.6 million as at 31 December 2015 due to lesser outstanding projects during the year, results in lesser work in progress.
- b) Trade receivables increased from S\$5.2 million as at 31 December 2014 to S\$6.6 million as at 31 December 2015 mainly due to the increase in sales from Malaysia subsidiaries.
- c) Other receivables, deposits and prepayments decreased from S\$6.3 million in FY2014 to S\$2.0 million in FY2015. The decrease was mainly due to the decrease in deposits and receivables amounting to S\$5.1 million arising from the disposal of a subsidiary, DET during the year and the increase other receivables of S\$0.7 million.

### Non-current assets

Our non-current assets comprised intangible asset, property, plant and equipment and deferred tax assets. The decrease was due to depreciation charge and significant depreciation of currency in Malaysian Ringgit during the year.

### Current liabilities

The Group's current liabilities comprised of the following:-

	As at 31 December 2015 (Unaudited)	As at 31 December 2014 (audited)
	S\$'000	S\$'000
Trade payables	2,050	3,698
Other payables and accruals	1,870	8,502
Contract work in progress	815	1,598
Income tax payable	201	1,750
Borrowings	931	1,645
<b>Total</b>	<b>5,867</b>	<b>17,193</b>

- a) Trade payables decreased from S\$3.7 million as at 31 December 2014 to S\$2.0 million as at 31 December 2015 due mainly to the disposal of a Taiwan subsidiary, ("DET") resulting in the decrease of trade payables.
- b) Other payables and accruals decreased from S\$8.5 million as at 31 December 2014 to S\$1.9 million as at 31 December 2015. The decrease was mainly due to the offset of shareholder loans and advances amounting to \$1.6 million, repayment of amount owing to a shareholder of \$1.3 million and decrease of S\$3.5 million as a results of disposal of a Taiwan subsidiary, DET.
- c) Contract work in progress decreased from S\$1.6 million as at 31 December 2014 to S\$0.8 million as at 31 December 2015 due to lesser engineering projects and lesser completion of projects as at year end.
- d) Income tax payable decreased from S\$1.8 million as at 31 December 2014 to S\$0.2 million mainly due to the disposal of a subsidiary.
- e) Bank borrowings decreased from S\$1.6 million as at 31 December 2014 to S\$0.9 million as at 31 December 2015. The decrease was mainly due to the repayment of bank loan during the year.

### Non-current liabilities

Non-current liabilities comprised deferred tax liabilities and bank borrowings. The decrease of non-current liabilities was mainly due to the disposal of the Taiwan subsidiary, which results in the decrease in borrowings during the year.

The increase in Equity from S\$9.5 million as at 31 December 2014 to S\$17.7 million in 31 December 2015 was due to the issuance of shares via a rights issue exercise during the year.



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

	<b>Unaudited 31 Dec 2015 S\$'000</b>	<b>Audited 31 Dec 2014 S\$'000</b>
Net cash used in operating activities	(5,141)	(1,041)
Cash flows from investing activities	370	4,155
Cash flows from financing activities	5,043	732
Net increase in cash and cash equivalents	<u>272</u>	<u>3,846</u>

The group cash and bank balances remained at approximately S\$9.3 million and as at 31 December 2015 and 31 December 2014.

In FY2015, profit from continuing operations was S\$0.3 million and loss from discontinued operation was S\$0.6 million. Operating cash flow before changes in working capital was S\$0.2 million after non-cash items of S\$0.1 million. Net cash used in operating activities was S\$5.1 million mainly due to cash outflow from trade and other receivables of S\$3.5 million and trade and other payables of S\$0.9 million and net income tax paid of S\$0.3 million.

Net cash from investing activities in FY2015 was S\$0.4 million mainly due to the disposal of subsidiary, net of cash of S\$0.8 million and partially offset by the additions on property, plant and equipment of S\$0.5 million.

Cash from the financing activities in FY2015 of S\$5.0 million was mainly due to the Rights issue proceeds of S\$5.8 million, after offsetting accrued bonus, shareholder loans and advances of approximately S\$2.2 million, placement of short-term deposits pledged of S\$0.2 million and interest paid on borrowing of S\$0.2 million.

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

The results are consistent with the commentary made in the FY2015 half year results announcement.

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

The Group is anticipating to complete the acquisition of 60% of the total equity interest in Wuhan Kaidi Services Co., Ltd ("WHKD") by March 2016 via a share swap exercise, thus welcoming the strategic investor, Wah Lee Industrial Corp of Taiwan, a company having an extensive business in the electronics and semiconductor industry, as well as the Management and engineering team of Wuhan Lian Kai Investment Co. Ltd ("WHLK") as substantial shareholders into the Group.

With the acquisition, the Group is expected to expand its core industrial water business in the electronic and semiconductor sector into the China region. And given Kaidi's complementary track record in the power and energy sector, the Group's other subsidiaries are now well-positioned to pursue water projects in these sectors in Malaysia

and across South East Asia. These initiatives, if successful, are expected to further contribute significantly to the Group's overall revenue in the industrial water segment. In the municipal segment, the Group has identified potential opportunities in the region despite challenging market conditions. The engineering expertise of the Group shall be expanded by the implementation of a corporate restructuring exercise in the coming months. The restructuring when completed shall enable the Group to become more active in bidding for environmental and water Infrastructure Projects while forming strategic partnerships with other parties to undertake target PPP (Public Private Partnership) projects, to generate additional revenue.

To this end, the Group is expected to commit and incur additional expenses in manpower capabilities in the next 12 to 18 months.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

Not applicable.

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

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

No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

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

No dividend has been declared or recommended for FY2015.

### 13. Use of Rights issue proceeds

Pursuant to the Rights issue on 5 March 2015, the Company received net proceeds from the issuance of new rights shares of approximately S\$5.8 million, after deducting issue expenses and offsetting of accrued bonus, shareholders loans and advanced payment. The utilisation of the Rights proceeds as at the date of this announcement is as follow:

S/N	Purpose from Rights issues proceeds	Amount allocated '000	Amount utilised '000	Balance '000
1	Funding new projects or investments when opportunities arose	2,000	(233)	1,767
2	General working capital	3,764	-	3,764
	-Payment of Company's indebtedness		(431)	(431)
	-Repayment of overdraft taken for the working capital of the Group's working capital		(750)	(750)
	-Other general working capital		(2,179)	(2,179)
	<b>Total</b>	<b>5,764</b>	<b>(3,593)</b>	<b>2,171</b>

The above utilisation of is in accordance with the intended use of proceeds of Rights issue as stated in the Offer Document dated. The Company will continue to make periodic announcements via SGXNET on the utilisation of the balance of the gross proceeds from the Rights issue as and when proceeds are materially disbursed.

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

The segment information for the reportable segments of continuing operations for the financial year ended 31 December 2015 is as follows:

	<b>EE Systems \$'000</b>	<b>WM Services \$'000</b>	<b>Trading \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	6,555	11,707	8,867	-	27,129
Inter-segment sales	-	-	20	(20)	-
Total revenue	<u>6,555</u>	<u>11,707</u>	<u>8,887</u>	<u>(20)</u>	<u>27,129</u>
<b>Segment profit</b>	<u>2,769</u>	<u>2,474</u>	<u>2,454</u>	<u>-</u>	<u>7,697</u>
Depreciation of property, plant and equipment	(19)	(222)	(204)	-	(445)
Impairment loss of property, plant and equipment	-	(53)	-	-	(53)
Gain on disposal of property, plant and equipment	-	-	10	-	10
Allowance for impairment of receivables	-	-	(80)	-	(80)
Interest income	1	4	1	-	6
Finance expenses	-	(19)	(5)	-	(24)
Other information:					
Additions to property, plant and equipment	<u>2</u>	<u>49</u>	<u>313</u>	<u>-</u>	<u>364</u>
	<b>EE Systems \$'000</b>	<b>WM Services \$'000</b>	<b>Trading \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>					
Segment assets	<u>5,602</u>	<u>10,157</u>	<u>6,037</u>	<u>2,883</u>	<u>24,679</u>
<b>Liabilities</b>					
Segment liabilities	<u>1,826</u>	<u>1,698</u>	<u>1,122</u>	<u>2,185</u>	<u>6,831</u>

Segment assets and liabilities are derived after deducting deferred tax assets and liabilities.

The segment information for the reportable segments of continuing operations for the financial year ended 31 December 2014 is as follows:

	<b>EE Systems \$'000</b>	<b>WM Services \$'000</b>	<b>Trading \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
Revenue					
Sales to external customers	13,393	10,272	7,571	-	31,236
Inter-segment sales	-	-	24	(24)	-
Total revenue	<u>13,393</u>	<u>10,272</u>	<u>7,595</u>	<u>(24)</u>	<u>31,236</u>
Segment profit	<u>3,972</u>	<u>3,489</u>	<u>1,969</u>	<u>-</u>	<u>9,430</u>
Depreciation of property, plant and equipment	(29)	(177)	(194)	-	(400)
Impairment loss of property, plant and equipment	-	(56)	-	-	(56)
Gain on disposal of property, plant and equipment	-	1	31	-	32
Allowance for impairment of receivables	-	-	(26)	-	(26)
Interest income	8	163	3	-	174
Finance expenses	(7)	(7)	(52)	-	(66)
Other information: Additions to property, plant and equipment	<u>19</u>	<u>46</u>	<u>217</u>	<u>-</u>	<u>282</u>

	<b>EE Systems \$'000</b>	<b>WM Services \$'000</b>	<b>Trading \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
Assets					
Segment assets	<u>7,167</u>	<u>17,024</u>	<u>5,763</u>	<u>(3,653)</u>	<u>26,301</u>
Liabilities					
Segment liabilities	<u>2,494</u>	<u>10,534</u>	<u>2,026</u>	<u>(1,964)</u>	<u>13,090</u>

## Geographical information

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

	Revenue				Non-current assets			
	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Taiwan	3,678	3,742	89	679	2,188	2,006	-	-
Malaysia	19,124	22,692	-	-	1,721	2,221	-	-
The People's Republic of China	799	328	-	-	117	81	-	-
Singapore	3,185	4,182	-	-	1,051	1,015	-	-
Other countries	343	292	-	-	3	5	-	-
	<u>27,129</u>	<u>31,236</u>	<u>89</u>	<u>679</u>	<u>5,080</u>	<u>5,328</u>	<u>-</u>	<u>-</u>

Non-current assets information presented above are non-current assets as presented on the statement of financial position excluding deferred income tax assets.

### 15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Paragraph 10 above for further details.

### 16. A breakdown of sales

	2015 S\$'000	2014 S\$'000	% change
Sales reported for the first half of the year	11,919	15,009	-20.6%
Loss after tax before deducting non-controlling interest for the first half year	<u>(1,264)</u>	<u>(630)</u>	100.6%
Sales reported for the second half of the year	15,210	16,227	-6.3%
Profit after tax before deducting non-controlling interest for the second half year	<u>451</u>	<u>920</u>	-51.0%

### 17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

No dividend has been recommended or declared for the year ended 31 December 2015 and 2014.

- 18. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
N/A	N/A	N/A

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

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

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year position was held	Details of changes in duties and position held, if any, during the year
Thye Kim Fah	66	Brother of Mr. Thye Kim Meng, Managing Director and Chief Executive Officer of Darco Water Technologies Limited	General Manager of Darco Water Systems Sdn. Bhd. ("DWSSB") responsible for overall management and operation of DWSSB, position held since January 1, 2000	Nil
Thye Ze Pin	35	Nephew of Mr. Thye Kim Meng, Managing Director and Chief Executive Officer of Darco Water Technologies Limited	Team Head, Project Management for Darco Water Technologies Limited; responsible for project management, position held since January 1, 2009	Nil

**BY ORDER OF THE BOARD**

**Thye Kim Meng**  
**Chairman and CEO**  
29/02/2016