DARCO

SOLUTIONS TO WATER & WASTE

PROVIDING FUTURE SOLUTIONS FOR A BETTER LIFE

ANNUAL REPORT **2015**

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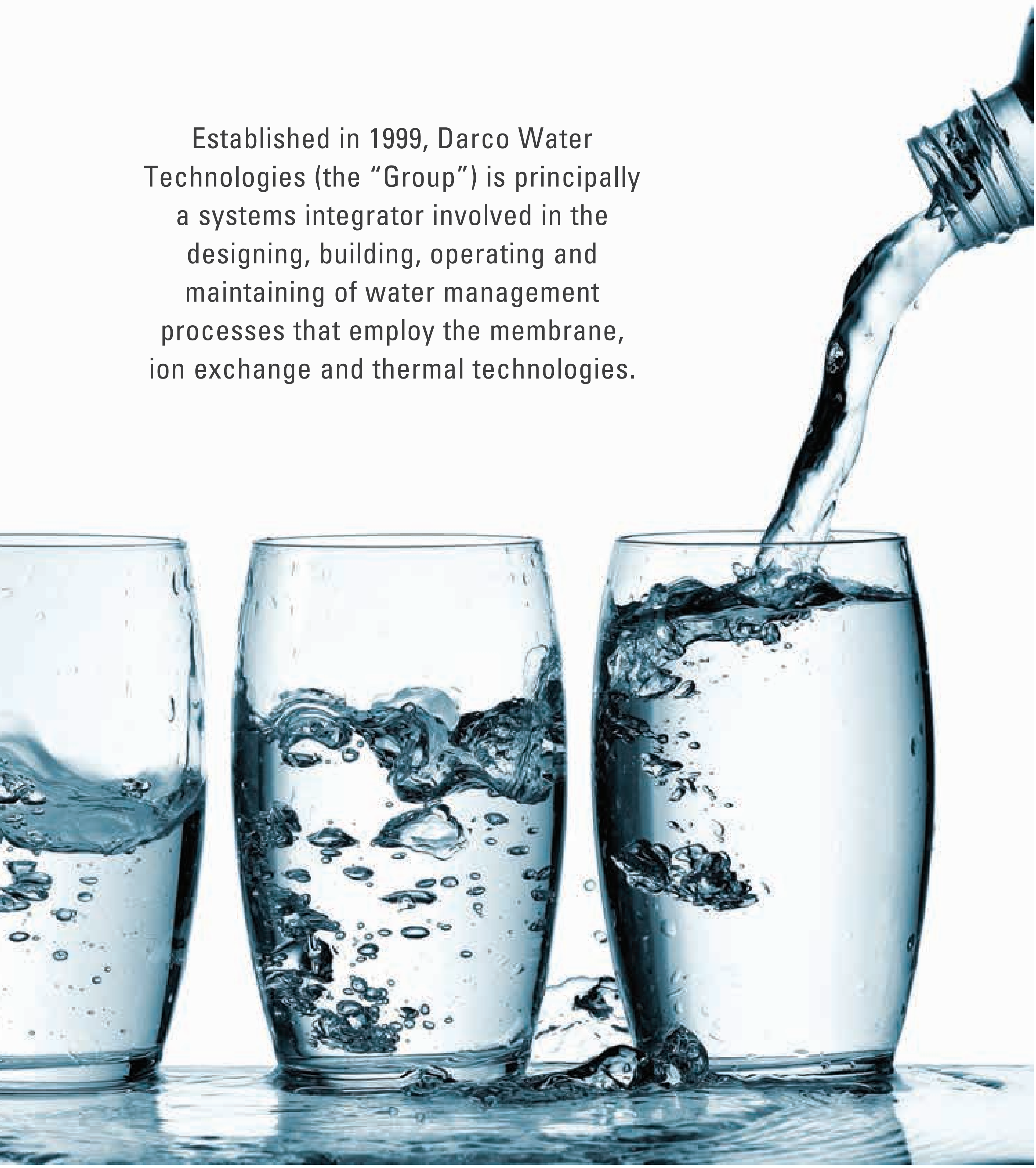
CORPORATE **PROFILE**

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**




The Group started its business by providing water solutions for Singapore-based companies in the PCB, electro-plating, and electronics sectors. As the economy developed, the Group diligently kept pace with the changing demands of different industries and acquired new customers around the region. Today, it designs, manufactures and services water and wastewater systems for a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverage.

To date, the Group has designed and built a number of water treatment plants, with valuation of about US$10 million for electronic and semi-conductor plants that require ultra-filtration to obtain large amounts of very pure water.

Over the years, the Group successfully developed its business capabilities, sales tactics and technical expertise. Within a short span of just 2.5 years, it acquired its listed company status and saw sales increase from S$18 million to S$88 million by 2007.

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 has 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.

Where delivering solutions are concerned, the Group is focused on providing comprehensive solutions to resolve customers' water problems, be it industrial or municipal. To achieve this, the Group has set up manufacturing facilities in Singapore, Malaysia and China that are capable of fabrication, assembly and integration of systems for the purposes of water purification, wastewater treatment and water recycling.

In this aspect, 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. This includes the construction of a seawater desalination system for a two 1000MW ultra-supercritical coal-fired power generating plant for China Resources Power Holdings Co. Ltd.

With this acquisition, the Group is kick-starting its expansion into the China market, which forms part of its key aggressive growth strategy as the growth potential in China is significantly higher than that of the Group's main businesses in Southeast Asia.

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 exploring emerging markets such as Vietnam, Myanmar and Cambodia, especially where its established customers are setting up new operations. 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.

Besides focusing on its current business, the Group has long term plans to generate additional revenue by building up a portfolio of Build-Own-Operate ("BOO") assets, as well as environmental and water Infrastructure Projects, while forming strategic partnerships with other parties to undertake larger Public Private Partnership ("PPP") projects.

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 tight. The result of this is a business model that is well-placed to manage the business cycle.

As such, the Group is well-positioned for its next phase of growth to cultivate customers in both the industrial and municipal arena. The Group aims to be seen as its customers' best partner in managing all aspects of their water needs and targets to be the preferred partner of all potential customers within the industry.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

For the full year ended 31 December 2015 ("FY2015"), the Group delivered revenue of S$26.8 million, which was S$4.4 million or 14.1% lower than S$31.2 million in FY2014. Majority of the revenue came from our core business of Water Management Services ("WM Services") at S$11.7 million, while the Engineered Environmental Systems ("EE Systems") recorded S$6.6 million in revenue. Separately, trading sales contributed S$8.5 million of revenue. Geographically, Malaysia made up 70.1% of the Group's total revenue. As a result of the challenging market conditions, the Group registered net loss of S$797,000 in FY2015 against FY2014 net profit of S$290,000.

PEOPLE'S REPUBLIC OF CHINA

On 11 August 2015, we entered into a conditional sale and purchase agreement ("SPA") with Wuhan Lian Kai Investment Co., Ltd. ("WHLK"), Hong Kong Meidi Investments Holdings Co., Ltd. and Mr. Zhang Zhengda to acquire a majority stake in Wuhan Kaidi Water Services Co., Ltd. ("WHKD") for a consideration of about S$10.9 million. This motion was approved by shareholders at the Extraordinary General Meeting ("EGM") held on 17 March 2016.

The acquired entity, WHKD is a water treatment and management specialist in the People's Republic of China ("PRC") with 22 years of history and boasts of over 600 projects in its portfolio to date. It is in the business of providing comprehensive and integrated engineering solutions in the form of water purification, water supply and wastewater treatment systems. Their solutions comprise the designing, procurement, installation, commissioning and management of water purification, water supply and wastewater treatment systems, and facilities.

TAIWAN

On 27 July 2015, the Group entered into a SPA with Chonlin Environmental Corporation Ltd. ("CECL") to sell the Group's wholly-owned subsidiary, Darco Engineering (Taiwan) Co., Ltd. ("DET") for a consideration of TWD 30 million, which translated to approximately S$1.32 million. This was a well-deliberated move as DET had been loss-making since 2009 and had not been contributing positively to the Group's core business in the last few years. Hence, we were of the view that massive injections of working capital will be required for this entity to continue serving the municipal sectors in Taiwan. As such, we believed it would be a strategic move to divest the subsidiary to better focus on our core business and efficiently streamline our operations.

Following the proposed disposal, the Group's core business of designing, building, operating and maintaining water management processes based on membrane, ion exchange and thermal technologies remains unchanged, and will be served by other subsidiaries within the Group and in Taiwan.

The Board is of the view that the proposed disposal will allow the Group to rationalise its financial and capital resources. Furthermore, continued investment in DET is unlikely to provide positive returns in the foreseeable future. The proposed disposal will also enable the Company to free up its resources and capital for allocation to its other profitable operations.

MALAYSIA

In view of the challenging business environment, Darco Malaysia's revenue for FY2015 stood at S$18.8 million as compared to S$22.7 million in FY2014. This translated to a year-on-year decrease of S$3.9 million or 17.1%.

Malaysia continued to be the key market in the Group's portfolio, with overall revenue contributing to approximately 70% of total Group earnings. Revenue from the EE Systems decreased during the year but was partially offset by a gain in the WM Services and trading sales segment. This was mainly attributed to the lower number of projects secured during the year as compared to the last financial year.

WELL-POISED FOR EXPANSION

On 5 March 2015, the Group issued and allotted a total of 387,358,736 new ordinary shares in the capital of the Group at an issue price of S$0.021 each. This was done on the basis of seven (7) rights share for every five (5) existing ordinary shares in a rights issue exercise undertaken by the Group as approved at an Extraordinary General Meeting ("EGM") held on 6 January 2015. The rights issue was initiated to provide a means to obtain additional working capital for the operations of the Group and strengthen our financial position.

CHAIRMAN'S **STATEMENT**

At the close of the rights issue on 26 February 2015, it was oversubscribed. We received a total of 440,511,624 valid acceptances and excess applications, representing 113.7% of the 387,358,736 rights shares available under the rights issue. The overwhelming response towards our rights issue underscored the strong confidence that shareholders had in the Group.

Separately in March 2016, we completed the acquisition of 60% of total equity interest in WHKD via a share swap exercise. The acquisition resulted in a partnership with strategic investor, Wah Lee Industrial Corporation of Taiwan, an electronics and semiconductor company. It also allowed us to leverage on the engineering expertise of WHLK as substantial shareholders of the Group.

The acquisition will enable us to expand our core industrial water business into China's electronic and semiconductor sector. As we capitalise on WHKD's track record in the power and energy sector, our other subsidiaries are now well-poised to take on water projects in the relevant sectors in Malaysia and South East Asia regions. We anticipate these initiatives to have a positive impact on the Group's revenue in the industrial water segment.

Where the municipal segment is concerned, the Group has also identified potential opportunities. We will be undergoing a corporate restructuring exercise in FY2016 to boost our engineering expertise, so as to enable us to bid for more environmental and water infrastructure projects, as well as partner strategic parties to undertake larger Public Private Partnership ("PPP") projects.

During the year, we also entered into a SPA with CECL on 27 July 2015. Under the SPA, we sold our entire stake in DET. DET held 51% shareholding equity in Darco Puding Wastewater Management Co., Ltd., whereby upon completion of the disposal, the Group netted a disposal gain of S$2.1 million.

SHARE CONSOLIDATION

As part of the Singapore Exchange ("SGX") listing requirements, the Group underwent a share consolidation of every twenty (20) existing ordinary shares in the capital of the Group into one (1) ordinary share, which was effective with effect from 1 December 2015. The issued share capital of the Group arising from the exercise comprised 33,202,147 consolidated shares as at 31 December 2015.

FUTURE PROSPECTS

With the completion of WHKD acquisition, we are geared to grow our core business in China's electronic and semiconductor sectors. We view this as a significant strategic investment and development for the Group.

Coupled with an increase in project enquiries for our EE Systems, this will likely enable us to increase our revenue comfortably through committing to more water projects in the South East Asia region. As such, we expect to provide for and incur additional expenses in manpower capabilities towards this end for the next 12 to 18 months.

At the municipal sector front, the Group will be looking to undertake more projects and increase our manpower capacity as the requirement arises. However, this is subjected to the Group's ability to secure funding for specific projects.

Going forward, we remain focused on growing our business in spite of the economic downturn and will be exploring opportunities to expand in the regional market.

ACKNOWLEDGEMENTS

I would like to use this opportunity to extend a warm welcome to Mr. Tay Lee Chye Lester, who assumed the Lead Independent Director role on 23 April 2015. Mr. Tay was also appointed as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr. Tay is well-equipped with industrial experience acting in the capacity as a Chief Financial Officer in 2004 at Asia Water Technology Ltd., followed by taking on the role of Chief Executive Officer at Rockstead Capital Group. We are confident that Mr. Tay will be able to lend his expertise in contributing towards shaping the Group.

I would also like to welcome Mr. Tay Von Kian, who joined us as an Independent Non-Executive Director on 14 August 2015. Mr. Tay was also appointed Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

Mr. Tay has a wealth of experience in the area of corporate finance and will be an asset to the Group's business development segment. He has approximately 18 years of working experience in corporate fund raising. He is currently an Associate Director with a boutique corporate finance firm. Prior to that, he has had working stints in the Corporate Finance units of banks and securities firm.

We believe that Mr. Tay's knowledge and expertise will be an asset to the Group as he provides valuable insights and guidance to help steer the Group towards greater achievements.

In closing, I would like to express my gratitude to all our directors, management, colleagues, customers, suppliers and shareholders for your unwavering faith in the Group. Going forward, we hope to continue on this journey together with you as we grow the Group from strength to strength.

THYE KIM MENG
Chairman and Managing Director

BOARD OF **DIRECTORS**

MR THYE KIM MENG

Malaysian, Aged 63

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.

MS HEATHER TAN CHERN LING

Malaysian, Aged 35

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 and Remuneration 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.

MR ROSS YU LIMJOCO

Singapore Permanent Residence, Aged 45

Non-Executive Independent Director

MR ROSS YU LIMJOCO was appointed as a Non-Executive Independent Director of our Company on 5 May 2014. He is the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

He was the Chief Financial Officer and Joint Company Secretary of PSL Holdings Limited from November 2012 to April 2014.

Prior to PSL, he was the head of business advisory with BDO Advisory Pte Ltd (member firm of BDO LLP) spear heading the transaction advisory and corporate finance services.

He holds a Bachelor of Science in Business Administration from Philippine School of Business Administration Major in Accounting. He is a member of Institute of Singapore Chartered Accountants, Philippine Institute of Certified Public Accountants, Certified Fraud Examiner and International Association of Consultants, Valuators and Analysts.

TAY LEE CHYE LESTER

Singapore Permanent Residence, Aged 42

Lead Independent Director

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 Audit Committee and a member of the Nominating Committee and Remuneration Committee. He has approximately 17 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 Residence, Aged 44

Independent Director

TAY VON KIAN was appointed as an Independent Director of our Company on 14 August 2015. He is currently the Chairman of the Nominating Committee, member of the Remuneration Committee and Audit Committee. He has approximately 18 years of working experience in corporate fund raising. He is currently an Associate Director with a boutique corporate finance firm. 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.

KEY **MANAGEMENT**

MR TAN SZE LENG, STEVE

Aged 42

Group Chief Financial Officer

STEVE TAN joined Darco as the Group Chief Financial Officer on September 2013. He is responsible for the Group overall financial related matters, including financial reporting, compliance and internal control implementation and taxation.

Prior to joining Darco, he has more than 10 years of external auditing and commercial experience with various professional firms and across a span of industries. He is a member of the Association of Certified Chartered Accountants (UK) and a Chartered Accountant (ICSA). He graduated with an MBA from the University of Warwick, England and serve as a member of Audit Committee with a Singapore Non-Profit Organisation.

MR THYE KIM FAH

Aged 65

General Manager

THYE KIM FAH is the General Manager of Darco Systems (M) Sdn. Bhd ("DSM"), responsible for DSM's overall management and operations of DSM 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 DSM. 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

Group revenue for the financial year ended 31 December 2015 ("FY2015") from continuing operations was S$26.8 million, a 14.1% decrease from S$31.2 million in the financial year ended 31 December 2014 ("FY2014"). The decrease is mainly due to the lower revenue contribution from the Engineered Environmental Systems ("EE Systems") segment.

SEGMENTAL CONTRIBUTION

Revenue from EE Systems declined by approximately S$6.8 million or 51.1% from S$13.4 million in FY2014 to S$6.6 million in FY2015 mainly due lesser number of engineering projects secured from the Malaysia business in the water engineering sector.

Revenue from Water Management Services ("WM Services") increased by approximately S$1.4 million or 14.0% from S$10.3 million in FY2014 to S$11.7 million FY2015 mainly due to higher service revenue generated from medical waste treatment in Taiwan.

Sales from trading of chemical, spare parts and others increased by approximately S$0.9 million or 12.9% from S$7.6 million in FY2014 to S$8.5 million in FY2015 mainly due to increase in customer order for spare parts and consumables.

GEOGRAPHICAL CONTRIBUTION

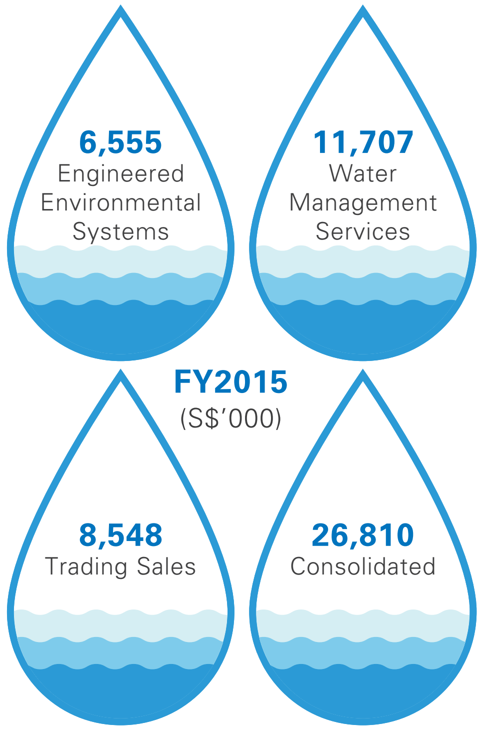
Revenue for the group is mainly derived from the Malaysia, Singapore and Taiwan operation, contributing to 95.7% of total Group's revenue. Revenue from Malaysia contributed to 70.1% of total FY2015 revenue as compared to 72.6% in FY2014.

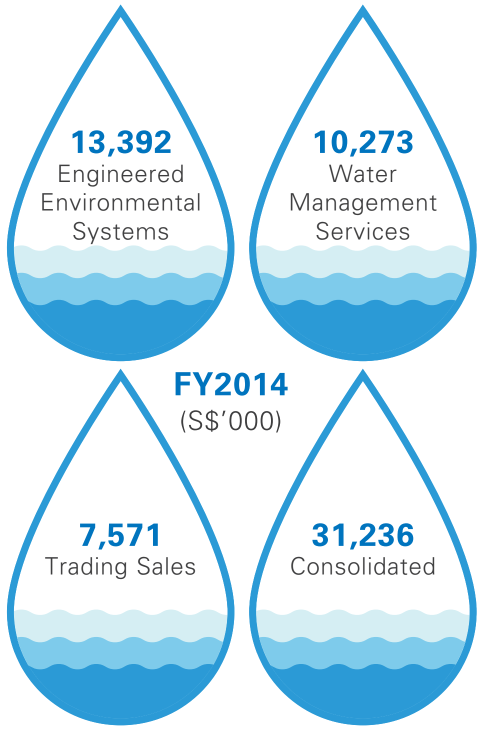
The Taiwan operation contributed to 13.7% of total revenue in FY2015, as compared to 12.0% in FY2014.

The Group's overall gross profit margin recorded during the year was S$7.7 million, or 28.7% as compared to S$9.4 million, or 30.2% in FY2014.

The Group's other income decreased by approximately S$0.9 million or 53.4% from S$1.7 million in FY2014 to S$0.8 million in FY2015. The decrease was mainly due to the one off settlement gain of S$1.1 million in FY2014 but not in FY2015. This relates to the lawsuit in Penang against former employees on 8 April 2014. As part of the settlement agreement, the Group recorded a gain of approximately S$1.1 million (RM$2.7 million). The decrease was partly offset by the increase in foreign exchange gain of $0.3 million.

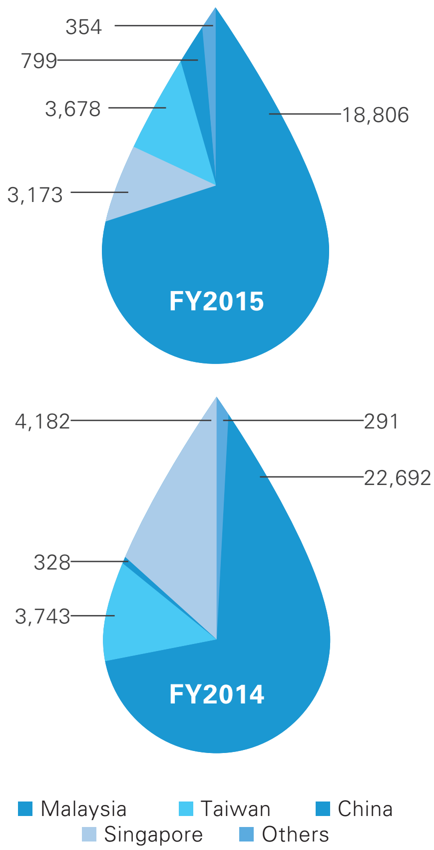
SEGMENTAL REVENUE CONTRIBUTION (CONTINUING OPERATION)





OPERATIONS **REVIEW**

GEOGRAPHICAL REVENUE CONTRIBUTION (S$'000)



The Group's distribution expenses remained constant at approximately S$0.3 million in FY2015 and 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 by approximately S$0.2 million or 58.3% 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.

As a result of the above, the Group registered a loss from continuing operation, net of tax of S$0.2 million in FY2015, as compared to profit of S$2.1 million in FY2014.

Current assets of S$19.8 million as at 31 December 2015 largely comprised of trade and other receivables of S$9.4 million and cash and cash equivalents of S$9.3 million.

Non-current assets of S$5.2 million as at 31 December 2015 comprised mainly intangible asset, property, plant and equipment and deferred income tax assets.

Current liabilities of S$6.0 million as at 31 December 2015 comprised of trade and other payables of S$4.9 million, income tax payable of S$0.2 million and borrowings of S$0.9 million.

Non-current liabilities of S$1.2 million as at 31 December 2015 comprised mainly borrowings of S$1.0 million.

Shareholders' equity increased from S$9.5 million in FY2014 to S$17.8 million in FY2015 mainly due to the issuance of shares via a rights issue exercise during the year.

Net cash used in operating activities was S$4.1 million in FY2015, compared to cash outflow of S$1.0 million in FY2014. Net cash from in investing activities decreased from S$4.1 million in FY2014 to S$0.4 million in FY2015.

Cash flow from financing activities increased from S$0.7 million in FY2014 to S$3.9 million in FY2015 largely due to the proceeds of S$5.8 million raised from rights issue during the year. The group cash and cash equivalents as at 31 December 2015 stands at S$7.7 million.

GROUP STRUCTURE

- DARCO WATER TECHNOLOGIES LIMITED ("DWT")
  - 100% DARCO ENGINEERING PTE LTD ("DEPL")
    - 100% SHANGHAI DARCO ENGINEERING CO LTD ("SD")
    - 65% DARCO ENVIRONMENTAL (PHILIPPINES) INC ("DNP")
  - 100% DARCO WATER SYSTEMS SDN BHD ("DWS")
    - 100% NESS PLUS TRADING SDN BHD
    - 100% DARCO INDUSTRIAL WATER SDN BHD ("DIW")
      - 100% GROBER INDUSTRIAL SERVICES SDN. BHD.
    - 100% WWMG ENVIRONMENTAL SDN BHD ("WWMG")
      - 100% DARCO REMEDIATION TECHNOLOGIES INC.
        - 60% DARCO YOU LI CO. LTD.
  - 100% PV VACUUM ENGINEERING PTE LTD ("PV VACUUM")
    - 56% PUZER ASIA PTE LTD ("PUZER")

CORPORATE **INFORMATION**

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

HEATHER TAN CHERN LING
(Executive Director)

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

ROSS YU LIMJOCO
(Non-Executive Independent Director)

TAY VON KIAN
(Non-Executive Independent Director)

AUDIT COMMITTEE
Tay Lee Chye Lester (Chairman)
Ross Yu Limjoco
Heather Tan Chern Ling
Tay Von Kian

NOMINATING COMMITTEE
Tay Von Kian (Chairman)
Ross Yu Limjoco
Tay Lee Chye Lester
Heather Tan Chern Ling

REMUNERATION COMMITTEE
Ross Yu Limjoco (Chairman)
Heather Tan Chern Ling
Tay Lee Chye Lester
Tay Von Kian

COMPANY SECRETARY
Shirley Tan Sey Liy (ACIS)

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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 shareholder 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 2015 ("**FY2015**"), 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 FY2015. 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, 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.

In line with the recent changes of the Companies Act, all reference to the Memorandum and Articles of Association and Articles will be superseded with Constitution and Regulation.

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 during FY2015, with the Company Secretary in attendance, are as follows:

		Board Committees		
	Board	**AC**	**RC**	**NC**
No. of meetings held	3	4	2	2
Directors				
Thye Kim Meng	2	1*	0	1*
Heather Tan Chern Ling	3	3	2	1*
Tay Lee Chye Lester(1)	1	1	0	–
Ross Yu Limjoco	3	3	2	2
Tay Von Kian(2)	1	1	1	–
Ang Kheng Hui(3)	1	2	1	2
Tang Kai Meng(4)	1	2	1	2

(1) Mr. Tay Lee Chye Lester was appointed as Lead Independent Director on 23 April 2015
(2) Mr. Tay Von Kian was appointed as Independent Director on 14 August 2015
(3) Mr. Ang Kheng Hui resigned on 23 April 2015
(4) Mr. Tang Kai Meng resigned on 4 August 2015

* 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 FY2015, 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. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, 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.

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 receive appropriate training, if required.

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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 two 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	Member	Member
Tay Lee Chye Lester(1)	Lead Independent Director	Chairman	Member	Member
Ross Yu Limjoco	Independent Director	Member	Member	Chairman
Tay Von Kian(2)	Independent Director	Member	Chairman	Member

(1) Appointed as Lead Independent Director on 23 April 2015

(2) Appointed as Independent Director on 14 August 2015

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 more than half of the Board comprises of Independent Directors.

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.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and determined that the Independent Directors, namely Mr. Tay Von Kian, Mr. Tay Lee Chye Lester and Mr. Ross Yu Limjoco are independent 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 Non-Executive and 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 Non-Executive and 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.

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 of finance	3
– Relevant industry knowledge or experience	2
Gender	
– Male	4
– Female	1

Non-Executive and Independent Directors exercise no Management functions in the Group. The role of the Non- Executive and 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.

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When necessary, the Company co-ordinates informal meetings for Non-Executive and 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.

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 of the shareholders.

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

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 Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Chief Financial Officer has failed to resolve or where such communication is inappropriate.

The Independent Directors, led by the Lead Independent Director, 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 and one Executive Director, majority of whom including the Chairman who is independent and not associated in any way with the substantial shareholders of the Company.

Nominating Committee

Mr. Tay Von Kian (Chairman)
Mr. Tay Lee Chye Lester
Mr. Ross Yu Limjoco
Ms. Heather Tan Chern Ling

Mr. Tay Von Kian was appointed as the Chairman of the NC on 14 August 2015 and Mr. Tay Lee Chye Lester was appointed as the member of the NC on 23 April 2015.

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, age, 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**").

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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.

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 and Ms. Heather Tan Chern Ling, Mr. Tay Lee Chye Lester, and Mr. Tay Von Kian (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.

Mr Ross Yu Limjoco has expressed to the Board that he will not be seeking re-election as a Director at the forthcoming AGM due to personal commitments and the Board has noted his desire and would like to express their appreciation to Mr. Ross Yu Limjoco for his past contributions to the Company. Upon Mr. Ross Yu Limjoco relinquishing his directorship in the Company, he will also cease to be the Chairman of the RC and a member of the AC and NC.

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 Von Kian, Mr. Tay Lee Chye Lester, and Ms. Heather Tan Chern Ling, 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. Ross Yu Limjoco and Mr. Tay Von Kian are considered independent.

Despite some of the Directors have other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. 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.

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.

CORPORATE GOVERNANCE 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.

The NC reviews and determines the independence of each Director 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 FY2015 as a result of the active participation of each Board member during each meeting. No external facilitator was used during the evaluation process in FY2015.

The NC has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the NC's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from the financial year 2016.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2015 are based on their attendance and contributions made at the Board and Board Committees meetings.

The Board has assessed and confirmed that the Board has met its performance objectives.

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.

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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.

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 and one Executive Director, majority of whom, including the Chairman are Independent Directors.

Remuneration Committee

Mr. Ross Yu Limjoco (Chairman)
Mr. Tay Lee Chye Lester
Ms. Heather Tan Chern Ling
Mr. Tay Von Kian

Mr. Tay Lee Chye Lester and Mr. Tay Von Kian were appointed as a member of the RC on 23 April 2015 and 14 August 2015 respectively.

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

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;

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- 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.

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 FY2015.

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 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.

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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 FY2015 is set out below:

Remuneration Bands & Name of Directors	Salaries, including CPF	Variable Bonus	Director's Fees	Total
Between $250,000 to S$500,000				
Thye Kim Meng	92%	–	8%	100%
Below S$250,000				
Heather Tan Chern Ling	77%	–	23%	100%
Tay Lee Chye Lester(1)	–	–	100%	100%
Ross Yu Limjoco	–	–	100%	100%
Tay Von Kian(2)	–	–	100%	100%
Ang Kheng Hui(3)	–	–	100%	100%
Tang Kai Meng(4)	–	–	100%	100%

Notes:

(1) Mr. Tay Lee Chye Lester was appointed as Lead Independent Director on 23 April 2015.

(2) Mr. Tay Von Kian was appointed as Independent Director on 14 August 2015.

(3) Mr. Ang Kheng Hui resigned on 23 April 2015.

(4) Mr. Tang Kai Meng resigned on 4 August 2015.

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 FY2015 are as follows:

Remuneration Bands & Name of Key Management Personnel	Salaries, including CPF	Variable Bonus	Others	Total
Between $250,000 to S$500,000				
David Heng	39%	34%	27%	100%
Below $250,000				
Thye Kim Fah	92%	8%	–	100%
Ang Kar Yen	88%	–	12%	100%
Tan Sze Leng	100%	–	–	100%
Yeoh Kim Kooi	92%	8%	–	100%

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For FY2015, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to approximately S$655,839.

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 FY2015.

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 S$50,000 during the year under review.

Details of remuneration paid to the immediate family members of Directors or CEO of the Company for FY2015 are as follows:

Name of Immediate Family Member	Salaries, including CPF	Variable Bonus	Others	Total
Between S$50,000 to $100,000				
Thye Kim Fah	92%	8%	–	100%
Thye Ze Pin	92%	8%	–	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.

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 Darco Performance Share Plan ("**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.

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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 Performance Share Plan Committee ("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.

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.

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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.

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.

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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.

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 a separate internal audit function but has outsourced this function to an external international auditing firm. Going forwards, 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.

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.

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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 2015. Due to various corporate activities undertaken by the Group during the year, the Group will be looking into setting up a more formal and structured Enterprise Risk Management programme in the coming financial year.

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 Chief Financial Officer had provided written assurance to the Board that:

(a) The financial records have been properly maintained and the financial statements for FY2015 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.

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 Lee Chye Lester (Chairman)
Mr. Ross Yu Limjoco
Ms. Heather Tan Chern Ling
Mr. Tay Von Kian

Mr. Tay Lee Chye Lester was appointed as the Chairman of the AC on 23 April 2015 and Mr. Tay Von Kian was appointed as a member of the AC on 14 August 2015.

CORPORATE GOVERNANCE REPORT

The AC does not comprise wholly of Non-Executive Directors as recommended by the Code, as the Board opines 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.

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;
- 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.

CORPORATE GOVERNANCE REPORT

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 FY2015, the AC meets with the external auditors and internal auditors without the presence of the Management and conducts 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 S$309,000 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.

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.

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.

CORPORATE GOVERNANCE REPORT

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.

All shareholders of the Company receive the Annual Report and notice of AGM. 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.

CORPORATE GOVERNANCE REPORT

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 FY2015 in order to conserve cash and to ensure that there are adequate resources for the Company's expansion plans.

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.

CORPORATE GOVERNANCE REPORT

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 Chairmen 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 held on or after 1 August 2015, if any, are put to vote by poll. 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.

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.

CORPORATE GOVERNANCE REPORT

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 S$5.8 million ("**Rights Proceeds**"), after deducting issue expenses and offsetting of accrued bonus, shareholders loans and advanced payment. The utilization of the Rights Proceeds is as follows:

S/N	Purpose from Rights issues proceeds	Amount allocated	Amount utilised	Balance
		'000	'000	'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)
	Total	5,764	(3,593)	2,171

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	27 April 2015	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, NC and RC	25 May 2006	27 April 2015	Nil	Nil
Tay Lee Chye Lester	• Bachelor of Accountancy, Nanyang Technological University	Lead Independent Director	Board Member, Chairman of AC and Member of NC and RC	23 April 2015	–	• Rockstead Capital Private Limited • 1Rockstead GIP Fund II Pte. Ltd. • 1Rockstead GIP Fund Ltd. • Rockstead Venture Ltd • Rockstead Capital Private Limited • RS Asset Management Pte. Ltd. • Grand INVSMT Ltd • Peinture Singapore Pte. Ltd. • Yokeshire International Limited	• Chabridge Technology Pte. Ltd. • Forest Property Investment Pte. Ltd. • Grand Investment Fund Pte. Ltd. • Grandeur Associates & Co Pte. Ltd. • Leibo Mingzhu Clean Energy Pte. Ltd. • Union Linker International Investment Pte. Ltd. • United Power Technology Pte. Ltd. • WH-Water Investment Pte. Ltd.
Ross Yu Limjoco	• Bachelor of Science in Business Administration, Major in Accountancy • Certified Public Accountant from the Philippine Institute of Certified Public Accountants • Chartered Accountant with the Institute of Singapore Chartered Accountants • Certified Fraud Examiner with Association of Certified Fraud Examiners	Independent Director	Board Member, Chairman of RC and Member of AC and NC	5 May 2014	30 May 2014	IPCO International Limited	Nil
Tay Von Kian	• Bachelor of Commerce (Accounting) with bachelor of laws degree from Macquarie University	Independent Director	Board Member, Chairman of NC and Member of AC and RC	14 August 2015	–	• T. K. Tay (Holdings) Sdn Bhd • Serep Pty Ltd	Nil

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited financial statements of Darco Water Technologies Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2015 and the statement of financial position of the Company as at 31 December 2015.

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 47 to 128 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 2015 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 report are as follows:

Thye Kim Meng
Heather Tan Chern Ling
Ross Yu Limjoco
Tay Lee Chye Lester (appointed on 23 April 2015)
Tay Von Kian (appointed on 14 August 2015)

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 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 2015	**At 31 December 2015***	**At 1 January 2015**	**At 31 December 2015**
Company				
Ordinary shares				
Thye Kim Meng	63,795,711	7,155,485	–	–
Heather Tan Chern Ling	68,000	8,160	–	–

* On 1 December 2015, the Company completed a share consolidation of twenty (20) existing issued shares into one (1) ordinary share.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

Mr. Thye Kim Meng, who by virtue of his interest or not less than 20% of the issued capital of the Company, is 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:

	Direct interests		Deemed interests	
	At 1 January 2015	**At 31 December 2015**	**At 1 January 2015**	**At 31 December 2015**
Darco Environmental (Philippines) Inc.				
Ordinary shares	–	–	65,000	65,000
Darco Youli Co., Ltd.				
Ordinary shares	–	–	5,659,243	5,659,243
Puzer Asia Pte Ltd				
Ordinary shares	–	–	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 2016.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE 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 are, or one of whose object is, 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 has 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.

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

SHARE OPTIONS (CONTINUED)

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 Lee Chye Lester	(Chairman of the Audit Committee and Independent Director)
Tay Von Kian	(Independent Director)
Ross Yu Limjoco	(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 2015 prior to their submission to the Board of Directors, as well as the independent auditors' 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).

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

AUDIT COMMITTEE (CONTINUED)

In appointing the external auditors for the Company and subsidiaries, the Company has compiled 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

30 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Darco Water Technologies Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 128, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 that 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Our previous report dated 6 April 2015 for the financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014 ("FY2014") contained an "except for" qualified opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Qualified Opinion (Continued)

The "except for" qualified opinion arose in relation to the opening balances which were audited by another auditors with multiple qualifications raised on numerous matters arose since FY 2009. In light of the qualifications and the significance of the opening balances relative to the FY 2014 financial statements, we were unable to reasonably conclude that the opening balances do not contain misstatements that may materially affect the financial statements of the Group and of the Company for the FY 2014.

As a result, the possible effects of adjustments, if any, on the financial statements of the Group and the Company for the FY 2014 could not be determined.

Financial effects on the current financial year

As disclosed in Note 21 to the consolidated financial statements, the Company has disposed of its wholly owned subsidiary, Darco Engineering (Taiwan) Co., Ltd ("DET") and its subsidiary (collectively referred to as the "DET Disposal Group") during the financial year. Upon the completion of the disposal, the Group recorded a net gain of approximately S$2.10 million, which was included in the loss from discontinued operation within the consolidated statement of profit or loss and other comprehensive income for the current financial year.

As the DET Disposal Group was one of the subject matters of our qualification in our previous report, we were unable to determine if the resultant net gain on the disposal of the DET Disposal Group amounting to approximately S$2.10 million was appropriately and accurately recorded in consolidated financial statements for the financial year ended 31 December 2015. Any adjustments that might have been necessary as a result of the previous qualifications on the opening balances of the DET Disposal Group included in the consolidated financial statements would have a corresponding effect on the amount of net gain recorded in the current financial year.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

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

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	**4,175**	4,423	**–**	–
Intangible asset	4	**905**	905	**–**	–
Investment in subsidiaries	5	**–**	–	**4,397**	4,418
Deferred tax assets	6	**144**	136	**–**	–
		5,224	5,464	**4,397**	4,418
Current assets					
Inventories	7	**883**	953	**–**	–
Trade and other receivables	8	**9,399**	12,480	**5,361**	773
Income tax recoverable		**189**	256	**–**	–
Available-for-sale financial assets	10	**–**	–	**–**	–
Cash and bank balances	11	**9,308**	9,219	**1,138**	249
		19,779	22,908	**6,499**	1,022
TOTAL ASSETS		**25,003**	28,372	**10,896**	5,440
LIABILITIES					
Current liabilities					
Trade and other payables	12	**4,899**	13,798	**2,249**	4,548
Borrowings	13	**931**	1,645	**–**	–
Income tax payable		**201**	1,750	**–**	–
		6,031	17,193	**2,249**	4,548
Non-current liabilities					
Trade and other payables	12	**–**	–	**501**	1,722
Borrowings	13	**964**	1,516	**–**	–
Deferred tax liabilities	6	**250**	169	**–**	–
		1,214	1,685	**501**	1,722
TOTAL LIABILITIES		**7,245**	18,878	**2,750**	6,270
NET ASSETS/(LIABILITIES)		**17,758**	9,494	**8,146**	(830)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	**44,980**	36,985	**44,980**	36,985
Other reserves	15	**(3,245)**	(4,351)	**–**	–
Accumulated losses		**(25,469)**	(25,628)	**(36,834)**	(37,815)
		16,266	7,006	**8,146**	(830)
Non-controlling interests		**1,492**	2,488	**–**	–
TOTAL EQUITY/(DEFICIT)		**17,758**	9,494	**8,146**	(830)

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 2015
(Amounts in thousands of Singapore dollars ("$'000"))

	Note	2015 $'000	2014 $'000 (Restated) (Note 29)
Continuing operations			
Revenue	16	**26,810**	31,236
Cost of sales		**(19,113)**	(21,806)
Gross profit		**7,697**	9,430
Other income	17	**813**	1,745
Distribution expenses		**(329)**	(360)
Administrative expenses		**(7,771)**	(7,992)
Finance costs	18	**(113)**	(271)
Profit before income tax from continuing operations		**297**	2,552
Income tax expense	20	**(512)**	(413)
(Loss)/Profit from continuing operations, net of tax		**(215)**	2,139
Discontinued operation			
Loss from discontinued operation, net of tax	21(a)	**(582)**	(1,849)
Total (loss)/profit for the financial year	22	**(797)**	290
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(1,155)**	121
Currency translation differences realised through disposal of subsidiaries		**2,308**	–
Other comprehensive income, net of tax		**1,153**	121
Total comprehensive income for the financial year		**356**	411
(Loss)/Profit from continuing operations, net of tax attributable to:			
Equity holders of the Company		**(552)**	1,878
Non-controlling interests		**337**	261
		(215)	2,139
Loss from discontinued operation, net of tax attributable to:			
Equity holders of the Company		**711**	(1,817)
Non-controlling interests		**(1,293)**	(32)
		(582)	(1,849)
Total comprehensive income attributable to:			
Equity holders of the Company		**1,265**	225
Non-controlling interests		**(909)**	186
		356	411
(Loss)/Earnings per share from continuing operations attributable to equity holders of the Company (cents)	23		
Basic		**(1.78)**	12.59
Diluted		**(1.78)**	12.59
Earnings/(Loss) per share from discontinued operation attributable to equity holders of the Company (cents)	23		
Basic		**2.30**	(12.18)
Diluted		**2.30**	(12.18)
Earnings per share from profit for the financial year attributable to equity holders of the Company (cents)	23		
Basic		**0.52**	0.41
Diluted		**0.52**	0.41

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(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 1.1.2014	36,985	(4,515)	(25,689)	6,781	2,302	9,083
Profit for the financial year	–	–	61	61	229	290
Other comprehensive profit/(loss) for the financial year, net of tax						
– Currency translation differences arising from consolidation	–	164	–	164	(43)	121
Total comprehensive income for the financial year	–	164	61	225	186	411
Balance at 31.12.2014	36,985	(4,351)	(25,628)	7,006	2,488	9,494
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 14)						
– 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 14)	(140)	–	–	(140)	–	(140)
Total contributions by owners	7,995	–	–	7,995	–	7,995
Change in ownership interests in subsidiaries						
Disposal of subsidiaries	–	–	–	–	(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 2015
(Amounts in thousands of Singapore dollars ("$'000"))

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit/(Loss) before income tax:			
– Continuing operations		**297**	2,552
– Discontinued operation	21(a)	**(582)**	(1,810)
		(285)	742
Adjustments:			
Depreciation of property, plant and equipment		**507**	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 loss of property, plant and equipment		**53**	69
Impairment loss on receivables		**2,897**	26
Write back of long outstanding trade payables		**–**	(38)
Reversal of payables and accruals following settlement of legal case		**(1,402)**	–
Interest expense		**207**	394
Interest income		**(28)**	(179)
Unrealised exchange differences		**199**	114
Operating profit before working capital changes		**45**	491
Change in working capital, net of effects from disposal of subsidiaries			
Inventories		**41**	186
Amount due from/to customers for contract work		**(580)**	(2,554)
Trade and other receivables		**(3,436)**	1,301
Trade and other payables		**99**	(313)
Cash used in operations		**(3,831)**	(889)
Income taxes paid		**(296)**	(152)
Net cash used in operating activities		**(4,127)**	(1,041)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(493)**	(395)
Proceeds from disposal of property, plant and equipment		**2**	145
Disposal of subsidiaries, net of cash disposed	21(c)	**826**	–
Placement in available-for-sale financial assets		**–**	(8,244)
Proceeds from available-for-sale financial assets		**–**	11,748
Proceeds arising from settlement agreement		**–**	722
Interest received		**28**	179
Net cash from investing activities		**363**	4,155
Cash flows from financing activities			
Proceeds from issuance of new shares, by way of cash	14	**5,766**	–
Share issuance cost	14	**(140)**	–
Proceeds from borrowings		**–**	724
Placement of short-term fixed deposits		**(280)**	(66)
Loan from a director		**–**	210
Loan from an individual shareholder		**–**	1,000
Repayment of borrowings		**(1,151)**	(678)
Repayment of finance lease liabilities		**(55)**	(64)
Interest paid		**(207)**	(394)
Net cash from financing activities		**3,933**	732
Net increase in cash and cash equivalents		**169**	3,846
Cash and cash equivalents at beginning of financial year		**7,943**	4,037
Effect of exchange rate changes on cash and cash equivalents		**(401)**	60
Cash and cash equivalents at end of financial year	11	**7,711**	7,943

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(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 123 Woodlands Industrial Park E5, Woodlands E-Terrace, Singapore 757498.

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 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2016.

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 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 2015, 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 2015
(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
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
Improvements to FRSs (November 2014)	
– Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operation*	1 January 2016
– Amendment to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
– Amendment to FRS 19 *Employee Benefits*	1 January 2016
– Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for Amendments to FRS 27, FRS 16 and FRS 38, Amendment to FRS 105, Amendment to FRS 107, Amendments to FRS 1, Amendments to FRS 7, Amendments to FRS 12, FRS 109 and FRS 115, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Amendments to FRS 27: *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method as described in FRS 28 Investments in Associates and Joint Ventures, in addition to measurement at cost and in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The accounting option must be applied by category of investments.

The Company currently presents its investment in separate financial statements at cost and will review this policy consequent to this amendment which is effective in 2016.

Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The requirements of FRS 16 are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

The requirements of FRS 38 are amended to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in FRS 16. However, there are limited circumstances when the presumption can be overcome, i.e. the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

Guidance is introduced into both standards to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

The Group currently adopts a straight line basis for its property, plant and equipment and intangible assets. This amendment is not expected to have an impact to the financial statements.

Improvements to FRSs (November 2014): Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operation*

The amendment clarifies that when an entity reclassifies an asset from held for sale to held for distribution or vice versa, the change in classification is considered a continuation of the original plan of disposal. The amendment also adds specific guidance for cases in which held-for-distribution accounting is discontinued. The Group will apply these amendments prospectively to any such change in a method of disposal that occur in annual periods beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (Continued)

Improvements to FRSs (November 2014): Amendment to FRS 107 *Financial Instruments: Disclosures*

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required in relation to transferred assets. The amendments apply retrospectively, except that an entity is not required to apply the amendments to any period beginning before the annual period in which the amendments are first applied.

Amendments to FRS 1: *Disclosure Initiative*

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the statement of financial position and statement of profit or loss and other comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in 2016.

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 2015
(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 is in the process of assessing the impact of the new standard for the future periods.

FRS 115 *Revenue from Contracts with Customers*

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 obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(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 2015
(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 2015
(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 are 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 2015
(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 is 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 land are stated at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land and assets under construction 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 land and building	30 to 50
Renovations	5
Motor vehicles	5
Plant and equipment	3 to 10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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 are 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 asset

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.

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 losses recognised for goodwill are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible asset (Continued)

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 classified as held-to-maturity, directly attributable transaction costs.

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 available-for-sale financial assets and loans and receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on the classification, as follows:

(a) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(ii) Subsequent measurement (Continued)

(b) Loans and receivables

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 tax recoverable.

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.

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.

(i) Financial assets carried at amortised cost

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

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.

(ii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income. For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts work-in-progress (Continued)

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 variations 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 relates 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/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 amounts due from customers for contract work. Where progress billings exceeds costs incurred and recognised profit (less recognised losses), the excess is shown as amounts due to customers for contract work.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

(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 expires. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

(ii) As lessee

Finance leases, which transfers 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(ii) As lessee (Continued)

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.

(b) Revenue from construction contracts – Engineered Environmental Systems

Revenue from projects are recognised based on the stage of completion of the contract activities. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. The accounting policy on accounting for "Construction contracts work-in-progress" paragraph above.

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

Revenue from rendering of services are recognised when the services are rendered, using the percentage of completion method based on actual service provided as a proportion of the total services to be performed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(d) Rental income

Rental income arising from operating leases is recognised on a straight-line basis over the lease terms.

(e) 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.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

(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).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of cash flows, cash and cash equivalents are presented net of bank overdraft and pledged deposits.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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) 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.

(b) Income 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 payables as at 31 December 2015 amounted to $189,000 and $201,000 (2014: $256,000 and $112,000 excluding the additional tax liabilities amounted to $1,638,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(b) Income tax (Continued)

The Group and Company have unrecognised tax losses of approximately $5,922,000 and $2,194,000 (2014: $12,646,000 and $1,869,000) respectively that are available to carried forward. 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 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, loss for the financial year would decrease by approximately $1,007,000 (2014: Profit for the financial year would increase by approximately $2,150,000).

(c) 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 2015 are disclosed in Note 9.

(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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(d) Impairment of loans and receivables (Continued)

The carrying amounts of trade and other receivables of the Group and Company as at 31 December 2015 are disclosed in Note 8. The credit risk exposure including the aging profile of trade receivables are disclosed in Note 27(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 $276,400 (2014: $310,400).

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

In the opinion of the management, there are no significant critical judgements made applying the Group's accounting policies, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and building $'000	Renovations $'000	Assets under construction $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Cost								
As at 1.1.2014	2,227	1,524	638	123	88	888	10,035	15,523
Additions	–	–	–	20	–	144	271	435
Addition arising from settlement agreement (Note 5(c))	–	–	–	–	–	25	99	124
Disposals	–	–	–	–	–	(134)	(3,751)	(3,885)
Written off	–	–	–	–	–	–	(1,578)	(1,578)
Reclassification	–	–	–	261	(88)	–	(173)	–
Currency translation differences	(42)	(30)	(13)	(5)	*	(10)	(120)	(220)
As at 31.12.2014	2,185	1,494	625	399	–	913	4,783	10,399
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**

* Amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Freehold land $'000	Freehold buildings $'000	Leasehold land and building $'000	Renovations $'000	Assets under construction $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Accumulated depreciation								
As at 1.1.2014	–	340	32	123	–	624	6,756	7,875
Charge for the financial year	–	21	13	15	–	88	339	476
Disposals	–	–	–	–	–	(103)	(2,021)	(2,124)
Written off	–	–	–	–	–	–	(1,577)	(1,577)
Reclassification	–	(129)	–	176	–	–	(176)	(129)
Currency translation differences	–	(7)	(1)	(3)	–	(7)	(66)	(84)
As at 31.12.2014	–	225	44	311	–	602	3,255	4,437
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**

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)	Freehold land $'000	Freehold buildings $'000	Leasehold land and building $'000	Renovations $'000	Assets under construction $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Accumulated impairment losses								
As at 1.1.2014	1,071	–	–	–	–	32	1,945	3,048
Impairment loss	–	56	–	–	–	–	13	69
Disposals	–	–	–	–	–	(3)	(1,651)	(1,654)
Reclassification	–	129	–	–	–	–	–	129
Currency translation differences	(20)	*	–	–	–	(1)	(32)	(53)
As at 31.12.2014	1,051	185	–	–	–	28	275	1,539
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**
Net carrying amount:								
As at 31.12.2014	1,134	1,084	581	88	–	283	1,253	4,423
As at 31.12.2015	**1,121**	**917**	**495**	**130**	**–**	**402**	**1,110**	**4,175**

* Amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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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 $43,000 (2014: $40,000) by means of finance leases. The cash outflow on acquisition of other property, plant and equipment amounted to $493,000 (2014: $395,000).

The carrying amount of motor vehicles held under finance leases at the reporting date is $204,000 (2014: $180,000). Leased assets are pledged as security for the related finance lease liabilities (Note 13).

Assets pledged as security

In addition to assets held under finance leases, freehold land, freehold buildings and leasehold land and building of the Group with an aggregate carrying amount of $2,533,000 (2014: $2,799,000) are mortgaged to the banks in Malaysia and Taiwan to secure the Group's bank loans and facilities (Note 13).

The properties held by the Group as at 31 December 2015 and 31 December 2014 are as follows:

Location	Description	Gross land area (sqm)	Gross built-in area (sqm)	Remaining tenure	Use of property
Malaysia					
Lot 10465, 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 No. 6546, 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. 6547, 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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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4. INTANGIBLE ASSET

	Goodwill on consolidation	
Group	**2015**	**2014**
	$'000	**$'000**
Cost		
At beginning of the financial year	**959**	959
Disposal of subsidiaries	**(35)**	–
At end of the financial year	**924**	959
Accumulated impairment losses		
At beginning of the financial year	**(54)**	(54)
Disposal of subsidiaries	**35**	–
At end of the financial year	**(19)**	(54)
Net carrying amount	**905**	905

Impairment testing of goodwill

Goodwill acquired through business combinations 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:

	2015	**2014**
	$'000	**$'000**
Singapore*	**905**	905
Malaysia (i)	**4**	4
Taiwan (i) (ii)	**–**	35
PRC (i)	**15**	15
	924	959

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

(i) Fully impaired in prior years.
(ii) Disposed during the financial year.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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4. INTANGIBLE ASSET (CONTINUED)

Impairment testing of goodwill (Continued)

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	
	2015	2014
	%	%
Growth rate[(1)]		
– Municipal	**–**	–
– Industrial	**0 to 4**	6
Gross margin[(2)]		
– Municipal	**5**	–
– Industrial	**72**	65
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 2-3 years. Gross margin is based on the budgeted costs estimated to be required for those projects.

Industrial

Management expects PV Vacuum to achieve revenue in 2016 forecasted based on its historical track records for the past 3 years, and at 4% growth per annum for the next 4 years, which is consistent with the industry 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 value to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2015	**2014**
	$'000	**$'000**
Unquoted equity shares, at cost		
At beginning of the financial year	**27,312**	27,312
Less: Disposal of subsidiaries (Note (b))	**(20,236)**	–
At end of the financial year	**7,076**	27,312
Less: Impairment loss		
At beginning of the financial year	**(22,894)**	(22,894)
Less: Disposal of subsidiaries (Note (b))	**20,215**	–
At end of the financial year	**(2,679)**	(22,894)
Net carrying amount	**4,397**	4,418

(a) Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2015 %	**2014 %**
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. [2]	Design, fabrication, 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; environmental monitoring system	Taiwan	**– (Note (b))**	100

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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	
			2015 %	**2014 %**
Held by subsidiaries				
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	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
WWMG Environmental Sdn. Bhd. [(2)]	Investment holding	Malaysia	**100**	100
Ness Plus Trading Sdn Bhd [(2)] (formerly known as Darco-Envidan Sdn. Bhd.)	Designing, fabricating and constructing pure and waste water treatment plants and trading in related industrial products	Malaysia	**100**	100

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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	
			2015 %	2014 %
Held by subsidiaries (Continued)				
Grober Industrial Services Sdn. Bhd. (2)	Supplying of all kinds of industrial equipment and industrial services	Malaysia	**100**	100 (Note c)
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. (2)	Supply of potable water	Taiwan	**– (Note (b))**	51
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) During the financial year, these 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 21).

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Acquisition of a subsidiary, arising from the Settlement Agreement – Financial year ended 31 December 2014

On 8 April 2014, the Company's wholly owned subsidiary, Darco Industrial Water Sdn Bhd ("DIW") entered into a Settlement Agreement with its two former employees, Grober Industrial Services Sdn Bhd ("Grober") and KIJ Ultra Supreme Filtration Sdn Bhd (collectively the "YCS Group Parties"). The Settlement Agreement related to a law suit taken by the Group against YCS Group Parties as disclosed in the previous financial year ended 31 December 2013. Pursuant to the Settlement Agreement, the legal ownership and all the assets and related liabilities of Grober shall be transferred to DIW at a token sum of $0.39 (MYR1.00). The total settlement sum awarded to DIW was approximately $1.08 million (MYR2.78 million) being compensation to DIW for YCS Group Parties' breach of duties and conspiracy to divert the Group's business contacts.

At the date of the transfer of ownership, the Group acquired the following assets and liabilities of Grober at its carrying amount and the effects of the Settlement Agreement were as follows:

	2014 **$'000**
Assets	
Cash and bank balances	528
Trade and other receivables	1,352
Property, plant and equipment	124
Total assets	2,004
Liabilities	
Trade and other payables	1,147
Borrowings	25
Deferred tax liabilities	21
Income tax payable	123
Total liabilities	1,316
Total identifiable net assets acquired for a token sum	688
Add: Settlement sum received and receivable	388
Gain arising from settlement agreement (Note 17)	1,076
Effect of the settlement agreement on cash flows	
Settlement sum received in cash	194
Add: Cash and bank balances of Grober acquired	528
Net cash inflow on arising from settlement arrangement	722

The conditions stipulated in the Settlement Agreement were fulfilled and completed in 2014, accordingly Grober became a wholly-owned subsidiary of the Group thereafter.

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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	
	2015	**2014**
	%	**%**
With material NCI		
Darco Puding Wastewater Management Co., Ltd. ("Puding")	**–**	49
Darco Youli Co., Ltd. ("Youli")	**40**	40
With immaterial NCI		
Darco Environmental (Philippines) Inc.	**35**	35
Puzer Asia Pte Ltd	**44**	44

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

	2015	**2014**
	$'000	**$'000**
Puding	**–**	1,327
Youli	**1,475**	1,098
Other subsidiaries with immaterial NCI	**17**	63
Total	**1,492**	2,488

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

(iii) The following summarises the financial information of each of the Group's subsidiary with material NCI, based on its respective financial statements.

	Puding	Youli	
	2014	**2015**	**2014**
	$'000	**$'000**	**$'000**
Revenue	–	**2,860**	2,049
(Loss)/Profit	(65)	**829**	682
Other comprehensive Income (OCI)	–	**–**	–
Total comprehensive (loss)/income	(65)	**829**	682
Attributable to NCI:			
– (Loss)/Profit	(32)	**323**	275
– OCI	*	**9**	(2)
Total comprehensive (loss)/income	(32)	**332**	273
Non-current assets	–	**1,853**	2,175
Current assets	3,138	**2,950**	1,584
Non-current liabilities	–	**–**	(556)
Current liabilities	(429)	**(1,115)**	(457)
Net assets	**2,709**	**3,688**	**2,746**
Accumulated NCI of the subsidiary at end of financial year	**1,327**	**1,475**	**1,098**
Cash flows (used in)/from operating activities	(53)	**1,181**	994
Cash flows used in investing activities	–	**(239)**	(230)
Cash flows used in financing activities (dividends to NCI: Nil)	–	**(441)**	(463)

* Amount less than $1,000.

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6. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2015	**2014**
	$'000	**$'000**
At beginning of the financial year	**(33)**	57
Recognised in the profit or loss (Note 20)	**(103)**	(77)
Addition arising from settlement agreement (Note 5(c))	**–**	(21)
Currency translation differences	**30**	8
At end of the financial year	**(106)**	(33)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**144**	136
Deferred tax liabilities	**(250)**	(169)
	(106)	(33)

Deferred tax assets of the Group

	Allowance of doubtful debts	Others**	Total
	$'000	**$'000**	**$'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**
2014			
At beginning of the financial year	69	41	110
Recognised in the profit or loss	–	22	22
Currency translation differences	2	2	4
At end of the financial year	71	65	136

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

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6. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax liabilities of the Group

	Tax over book depreciation $'000
2015	
At beginning of the financial year	**169**
Recognised in the profit or loss	**110**
Currency translation differences	**(29)**
At end of the financial year	**250**
2014	
At beginning of the financial year	53
Recognised in the profit or loss	99
Addition arising from settlement agreement (Note 5(c))	21
Currency translation differences	(4)
At end of the financial year	169

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

	2015 $'000	2014 $'000	Jurisdiction	Expiring year
Unabsorbed tax losses	**4,707**	3,183	Singapore/Malaysia	Indefinite
*Unabsorbed tax losses arising from financial year of :				
– 2012	**73**	73	People's Republic of China	2017
– 2014	**518**	518	People's Republic of China	2019
– 2015	**624**	–	People's Republic of China	2020
	1,215	591		
Unabsorbed tax losses(i)	**–**	6,923	Taiwan	2022
Unabsorbed tax losses(i)	**–**	1,949	Taiwan	2024
	–	8,872		
	5,922	12,646		
Unabsorbed capital allowances	**5**	13	Singapore	Indefinite
	5,927	12,659		

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

(i) These amounts pertains to the DET Disposal Group.

	2015	2014	Jurisdiction	Expiring year
Company	**$'000**	**$'000**		
Unabsorbed tax losses	**2,194**	1,869	Singapore	Indefinite

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6. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The unabsorbed tax losses and capital allowance 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.

7. INVENTORIES

	Group	
	2015	2014
	$'000	$'000
Raw materials	**800**	863
Trading goods	**83**	90
	883	953

The cost of inventories recognised as 'cost of sales' amounted to $7,251,000 (2014: $6,676,000), of which $61,000 (2014: $65,000) pertained to write-downs of inventories to net realisable value.

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables:				
– Third parties	**6,673**	9,105	**–**	–
Less: Allowance for impairment	**(352)**	(3,912)	**–**	–
Trade receivables, net	**6,321**	5,193	**–**	–
Amounts due from customers for contract work (Note 9)	**1,044**	1,027	**–**	–
Other receivables:				
– Third parties	**1,143**	1,818	**4**	12
– Subsidiaries (non-trade)	**–**	–	**13,665**	8,944
	1,143	1,818	**13,669**	8,956
Less: Allowance for impairment				
– Third parties	**(64)**	(1,511)	**–**	–
– Subsidiaries (non-trade)	**–**	–	**(8,336)**	(8,336)
	1,079	307	**5,333**	620
Refundable deposits	**571**	5,600	**–**	129
Staff loans	**84**	84	**–**	–
Prepayments	**79**	93	**28**	24
Advances to suppliers	**221**	176	**–**	–
	9,399	12,480	**5,361**	773

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8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

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

Subsidiaries (non-trade)

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

Staff loans

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

Refundable deposits

As at 31 December 2014, the Group's deposits mainly comprised of the following items related to the DET Disposal Group (Note 21):

(i) A guarantee deposit placed with Taoyuan County Government under a build-operate-transfer contract amounted to $2.5 million, or NTD$60.00 million, which has been fully impaired during the financial year prior to the disposal of DET (Note 21); and

(ii) A refundable deposit placed with Taiwan High Court amounted to $2.86 million, or NTD$68.71 million.

Movements in allowance for impairment of trade and other receivables during the financial year are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of the financial year	**5,423**	5,573	**8,336**	8,336
Allowance made (Note 22)	**2,897**	26	**–**	–
Allowance written off	**(3,875)**	2	**–**	–
Disposal of subsidiaries	**(4,147)**	–	**–**	–
Reversal of impairment loss (Note 22)	**(16)**	(85)	**–**	–
Currency translation differences	**134**	(93)	**–**	–
At end of the financial year	**416**	5,423	**8,336**	8,336

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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9. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2015	**2014**
	$'000	**$'000**
Aggregate amount of costs incurred and recognised profits (less losses recognised) to date on uncompleted construction contracts	**12,937**	26,703
Less: Progress billings	**(12,873)**	(27,284)
	64	(581)
Presented as:		
Due from customers on construction contracts (Note 8)	**1,044**	1,027
Due to customers on construction contracts (Note 12)	**(980)**	(1,608)
	64	(581)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group
	2014
	$'000
Cost	
At beginning of financial year	3,555
Additions	8,244
Redemption	(11,748)
Currency translation differences	(51)
At end of financial year	–

Available-for-sale financial assets related to structured deposits, placed with a financial institution in the People's Republic of China by the Group.

Structured deposits were non-redeemable before maturity, non-capital protected and with unguaranteed rate of return of 3.8% to 5.7% per annum and with a maturity period of 93 days and 177 days from placement date.

All structured deposits were fully redeemed as at 31 December 2014.

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11. CASH AND BANK BALANCES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**8,455**	8,346	**1,076**	185
Short term fixed deposits [i]	**853**	873	**62**	64
Cash and bank balances as per statements of financial position	**9,308**	9,219	**1,138**	249
Less: Short term fixed deposits pledged [ii]	**(853)**	(573)		
Less: Bank overdraft (Note 13)	**(744)**	(703)		
Cash and cash equivalents as per consolidated statement of cash flows	**7,711**	7,943		

(i) Short term fixed deposits of the Group and the Company bear interest rate ranging from 0% to 3.20% and at 0% (2014: 0.05% to 3.15% and at 0.05%) per annum respectively, and have maturity period ranging from 1 to 12 months and 1 month (2014: 1 to 12 months and 8 months) respectively from the reporting date.

(ii) These amounts are pledged in as security in connection with the credit facilities granted by the banks for the Group's banking facilities.

As at 31 December 2015, the Group has cash and bank balances placed with banks in the People's Republic of China denominated in Chinese Renminbi ("RMB") amounting to $2,927,000 or RMB13,428,000 (2014: $3,756,000 or RMB17,436,000). 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.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables to:				
– Third parties	**2,050**	3,679	**–**	–
Construction contracts:				
– Due to customers (Note 9)	**980**	1,608	**–**	–
Other payables:				
– Subsidiaries (non-trade)	**–**	–	**1,849**	2,872
– A director-related company (non-trade)[i]	**–**	600	**–**	–
– An individual shareholder (non-trade)[i]	**–**	1,028	**–**	1,028
– A director of the Company (non-trade)[i]	**–**	980	**–**	210
– Third parties[i]	**648**	2,358	**84**	46
Accruals	**1,071**	1,681	**316**	392
Provision for unutilised leave	**150**	118	**–**	–
Tax penalties payable	**–**	1,746	**–**	–
	4,899	13,798	**2,249**	4,548
Non-current				
Other payable:				
– Subsidiary (non-trade)	**–**	–	**501**	1,722

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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12. TRADE AND OTHER PAYABLES (CONTINUED)

Group

(i) As disclosed in Note 14, during the financial year, the Group has repaid the following liabilities as at 31 December 2014 by issued and allocated:

- 28,571,428 ordinary shares amounting to $600,000 as payment to the director for the settlement of the amount due to a director-related company;
- 47,619,048 ordinary shares amounting to $1,000,000 to an individual shareholder;
- 30,053,905 ordinary shares amounting to $631,132 to a director of the Company; and
- 6,550,320 ordinary shares amounting to $137,557 to other payable.

Included in the trade payables as at 31 December 2014 was an amount of $0.87 million, or NTD$20.77 milion, which was related to a claim from a sub-contractor against the DET Disposal Group, which has been disposed of during the financial year.

Included in the other payables to third parties as at 31 December 2014 was an amount of $0.41 million or NTD$9.87 million, which was related to penalty levied by Taoyuan County Government on the DET Disposal Group for a build-operate-transfer contract in 2010, which has been disposed of during the financial year.

Tax penalties payable as at 31 December 2014 was related to the additional tax penalties imposed by the Taiwanese tax authorities on the DET Disposal Group, which has been disposed of during the financial year.

Company

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand except for an amount of $501,000 (2014: $1,722,000), which bears interest at 3% (2014:3%) per annum and is repayable by 24 April 2019, which is classified within non-current liabilities as at reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

13. BORROWINGS

		Group	
	Maturity	**2015** **$'000**	**2014** **$'000**
Current			
Secured			
Bank overdrafts	On demand	**744**	703
Obligations under finance leases	2019	**40**	35
Term loan I	25 November 2032	**4**	5
Term loan II	19 December 2030	**63**	45
Term loan III	28 February 2028	**41**	28
Unsecured			
Term loan IV	30 April 2016	**39**	32
Personal loan I	On demand	**–**	229
Personal loan II	On demand	**–**	492
Trust receipt	2015	**–**	76
		931	1,645
Non-current			
Secured			
Obligations under finance leases	2019	**95**	102
Term loan I	25 November 2032	**111**	131
Term loan II	19 December 2030	**225**	306
Term loan III	28 February 2028	**533**	556
Unsecured			
Term loan IV	30 April 2016	**–**	421
		964	1,516
Total borrowings		**1,895**	3,161

Bank overdrafts

The bank overdrafts are secured by corporate guarantee from the Company and freehold land and building of a subsidiary and bears an effective interest rates of 8.10% (2014: 8.10%) per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

13. BORROWINGS (CONTINUED)

Term loans

The term loans bear the interest rates as follows:

	Interest rate (per annum)	Group	
		2015	**2014**
Secured[i]			
Term loan I	Bank Lending Rate – 2.1%	**6.85%**	6.85%
Term loan II	Bank Lending Rate + 1.4%	**6.85%**	6.85%
Term loan III	Bank Lending Rate – 1.9%	**6.85%**	6.85%
Unsecured			
Term loan IV	Fixed rate of 3.15%	**3.15%**	3.15%

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

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 5.32% (2014: 5.32%) per annum.

Future minimum lease payment 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		
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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13. BORROWINGS (CONTINUED)

Obligations under finance leases (Continued)

	Minimum lease payments $'000	**Present value of payments $'000**
Group		
2014		
Current portion:		
– Not later than 1 year	39	35
Non-current portion:		
– Later than 1 year and not later than 5 years	106	97
– Later than 5 years	5	5
	111	102
	150	137
Less: Amounts representing finance charges	(13)	–
	137	137

Personal loan I

This represented a loan from a third party of the DET Disposal Group (Note 21). The personal loan was unsecured, borne interest at 2% per month and repayable on demand.

Personal loan II

This represented a loan from a staff of the DET Disposal Group (Note 21). The loan was unsecured, interest free and repayable on demand.

Trust Receipt

Trust receipt borne an effective interest rate at 3% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

14. SHARE CAPITAL

	Group and Company			
	2015		2014	
	Number of ordinary shares	$'000	Number of ordinary shares	$'000
Issued and fully paid ordinary shares				
At beginning of the financial year	**276,684,812**	**36,985**	276,684,812	36,985
Rights share issued [(i)]	**387,358,736**	**8,135**	–	–
Share issue expenses	**–**	**(140)**	–	–
	664,043,548	**44,980**	276,684,812	36,985
Share consolidation [(ii)]	**(630,841,401)**	**–**	–	–
At end of the financial year	**33,202,147**	**44,980**	276,684,812	36,985

(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 12).

(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 has 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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14. SHARE CAPITAL (CONTINUED)

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.

15. OTHER RESERVES

	Foreign currency translation reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Total $'000
Group			
2014			
At beginning of the financial year	(4,375)	(140)	(4,515)
Net exchange differences on translation of financial statements of foreign subsidiaries	121	–	121
Add: Non-controlling interests	43	–	43
At end of the financial year	(4,211)	(140)	(4,351)
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)**
Add: Non-controlling interests	**47**	**–**	**47**
Realisation on disposal of subsidiaries (Note 21 (c))	**2,168**	**140**	**2,308**
At end of the financial year	**(3,245)**	**–**	**(3,245)**

NOTES TO THE FINANCIAL STATEMENTS

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16. REVENUE

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Revenue from construction contracts	**6,555**	13,393
Rendering of services	**11,707**	10,272
Sale of goods	**8,548**	7,571
	26,810	31,236

17. OTHER INCOME

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Interest income	**28**	177
Government grants	**7**	27
Gain on disposal of property, plant and equipment	**10**	32
Gain on foreign exchange, net	**595**	319
Miscellaneous Income	**173**	114
Gain from settlement arrangement (Note 5(c))	**–**	1,076
	813	1,745

18. FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Interest expenses on:		
– borrowings	**108**	263
– finance leases	**5**	8
	113	271

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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19. PERSONNEL EXPENSES

	Group	
	2015	**2014**
	$'000	**$'000**
		(Restated)
Continuing operations		
Directors of the Company:		
– Directors' fees	**251**	240
– Directors' remuneration and related costs	**344**	213
– Defined contributions plan expenses	**11**	9
Directors of the subsidiaries:		
– Directors' fees	**186**	136
– Directors' remuneration and related costs	**543**	509
– Defined contributions plan expenses	**46**	46
Other key management personnel (non-directors):		
– Salaries and related costs	**163**	197
– Defined contributions plan expenses	**17**	18
Total key management personnel expenses	**1,561**	1,368
Other personnel:		
Continuing operations		
– Salaries and related costs	**6,926**	5,624
– Defined contributions plan expenses	**680**	506
	7,606	6,130
Discontinuing operation		
– Salaries and related costs	**240**	2,672
– Defined contributions plan expenses	**14**	210
	254	2,882
	9,421	10,380
Total personnel expenses comprises:		
Continuing operations		
– Salaries and related costs	**8,413**	6,919
– Defined contributions plan expenses	**754**	579
	9,167	7,498
Discontinuing operation		
– Salaries and related costs	**240**	2,672
– Defined contributions plan expenses	**14**	210
	254	2,882
	9,421	10,380

NOTES TO THE FINANCIAL STATEMENTS

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19. PERSONNEL EXPENSES (CONTINUED)

Total key management personnel remuneration included above include:

	Group	
	2015 $'000	2014 $'000 (Restated)
– Short-term employee benefits	**1,487**	1,295
– Defined contributions plan expenses	**74**	73
	1,561	1,368

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

20. INCOME TAX EXPENSE

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

	Group	
	2015 $'000	2014 $'000 (Restated)
Continuing operations		
Current tax		
– Current year	**440**	367
– Over provision in prior years	**(31)**	(31)
	409	336
Deferred tax (Note 6)		
– Current year	**154**	29
– (Over)/Under provision of the deferred tax in prior years	**(51)**	48
	103	77
Income tax expense	**512**	413
Discontinued operation (Note 21(a))		
Current tax		
– Current year	**–**	39
Total income tax expense	**512**	452

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20. INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2015	**2014**
	$'000	**$'000**
Accounting profit/(loss):		
– Continuing operations	**297**	2,552
– Discontinued operation (Note 21(a))	**(2,677)**	(1,810)
	(2,380)	742
Gain on disposal of discontinued operation (Note 21(a))	**2,095**	–
	(285)	742
Tax at the applicable tax rate of 17% (2014: 17%)	**(48)**	126
Tax effect of		
– different tax rates in other countries	**97**	148
– tax incentives	**(37)**	(40)
– expenses not deductible for tax purposes	**671**	287
– income not subject to tax	**(456)**	(305)
– deferred tax asset on losses not recognised	**365**	337
– utilisation of previously unrecognised tax losses	**–**	(109)
– others	**2**	(9)
– (over)/under provision of deferred tax in prior years	**(51)**	48
– over provision of current tax in prior years	**(31)**	(31)
Income tax expense	**512**	452

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subjected to an applicable tax rate of 17% (2014: 17%). Certain subsidiaries are in a tax loss positions for both the financial years ended 31 December 2015 and 2014 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% (2014: 17%).

Malaysia subsidiaries

Malaysia subsidiaries are subjected to an applicable tax rate of 25% (2014: 25%). Certain subsidiaries (2014: One of its subsidiaries), are in a tax loss position for both the financial years ended 31 December 2015 and 2014 and hence it is not subjected to tax in the respective years.

NOTES TO THE FINANCIAL STATEMENTS

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20. INCOME TAX EXPENSE (CONTINUED)

Shanghai Darco Engineering Co Ltd (PRC)

This subsidiary is subjected to an applicable tax rate of 25% (2014: 25%). It is in a tax loss position for both the financial year ended 31 December 2015 and 2014 and hence it is not subjected to tax.

Philippines Subsidiary

This subsidiary is subjected to an applicable tax rate of 30% (2014: 30%). It is in a tax loss position for the financial year ended 31 December 2015 and 2014 and hence it is not subjected to income tax.

21. 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 has 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 conditions as stipulated in the SPA, the Company disposed its entire interest in DET and accordingly the Group has deconsolidated the DET Disposal Group from that date, which has resulted in a gain on disposal that amounting to approximately $2.10 million, which is 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 are presented separately on the statement of profit and loss and other comprehensive income as discontinued operation as follows:

	Disposal Group	
	2015	**2014**
	$'000	**$'000**
Revenue	**89**	679
Cost of sales	**(650)**	(1,528)
Gross loss	**(561)**	(849)
Other income (i)	**1,409**	258
Selling and distribution expenses	**–**	(226)
Administrative expenses	**(832)**	(870)
Other expense(ii)	**(2,599)**	–
Finance costs – interest expense on borrowings	**(94)**	(123)
Loss before tax from discontinued operation	**(2,677)**	(1,810)
Income tax expense	**–**	(39)
Loss for the financial year from discontinued operation	**(2,677)**	(1,849)
Gain on disposal of discontinued operation (pre and post tax) (Note 20)	**2,095**	–
	(582)	(1,849)

NOTES TO THE FINANCIAL STATEMENTS

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21. 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 are presented separately on the statement of comprehensive income as discontinued operation as follows (Continued):

(i) Other income comprises the following:

	Disposal Group	
	2015	**2014**
	$'000	**$'000**
Interest income	*****	2
Government grants	**–**	17
Gain on disposal of property, plant and equipment	**–**	6
Gain on foreign exchange, net	**6**	15
Write back of long outstanding trade payables	**–**	38
Miscellaneous income	**1**	180
Reversal of payables and accruals following settlement of legal case	**1,402**	–
	1,409	258

* Amount less than $1,000.

(ii) This pertains to an allowance for impairment loss made on the guarantee deposits (Note 8) that was previously being placed with Taoyuan County Government under a build-operate-transfer contract after the court has 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 is as follows:

	2015	2014
	$'000	**$'000**
Operating cash outflow	**(960)**	(2,318)
Investing cash inflow	**12**	1,622
Financing cash inflow/(outflow)*	**899**	(602)
Total cash (outflow)/inflow	**(49)**	(1,298)

* Financing cash inflows was mainly generated from issuance of new promissory note amounting to $1,000,000.

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21. 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:	
Property, plant and equipment (Note 3)	–
Intangible asset (Note 4)	–
Deferred tax assets/(liabilities) (Note 6)	–
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)

The aggregate cash inflow arising from the disposal of DET Disposal Group were:

	Disposal Group
	2015
	$'000
Net liabilities disposed of (as above)	(3,086)
Reclassification of foreign currency translation reserves (Note 15)	2,308
	(778)
Gain on disposal of subsidiaries	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

* Amount less than $1,000.

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

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

	Group	
	2015	**2014**
	$'000	**$'000**
Continuing operations		
Allowance for impairment of receivables (Note 8)	**80**	26
Auditors' remuneration paid/payable to:		
– auditors of the Company	**222**	317
– other auditors	**87**	78
Gain on disposal of property, plant and equipment	**10**	32
Depreciation of property, plant and equipment (Note 3)	**507**	448
Impairment loss of property, plant and equipment (Note 3)	**53**	56
Property, plant and equipment written off	**2**	1
Inventories written down (Note 7)	**61**	65
Rental expense for operating leases	**480**	431
Personnel expenses (Note 19)	**9,167**	7,498
Reversal of impairment loss on receivables (Note 8)	**(16)**	(85)
Write back of allowance for impairment of receivables (Note 8)	**–**	(85)
Legal and other professional fees	**480**	526
Gain on disposal of subsidiaries, included as loss from discontinued operation line item (Note 21)	**(2,095)**	–
Discontinued operation		
Gain on disposal of property, plant and equipment	**–**	17
Depreciation of property, plant and equipment (Note 3)	**–**	28
Impairment loss of property, plant and equipment (Note 3)	**–**	13
Rental expense for operating leases	**3**	81
Legal and other professional fees	**3**	61
Personnel expenses (Note 19)	**254**	2,882
Allowance for impairment of receivables (Note 8)	**2,817**	–

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23. 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	
	2015	**2014**
Net profit/(loss) attributable to equity holders of the Company ($'000)		
– Continuing operations	**(552)**	1,878
– Discontinuing operation	**711**	(1,817)
	159	61
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	**(1.78)**	12.59
Discontinuing operation	**2.30**	(12.18)
	0.52	0.41

As disclosed in Note 14, the Company has completed the following during the financial year:

(i) Issuance of 387,358,736 ordinary shares at an issue price of $0.021 each pursuant to a right issue on 5 March 2015; and

(ii) A share consolidation of twenty (20) existing issued shares into one (1) ordinary share on 1 December 2015.

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

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.

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24. 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. Details of transactions between the Group and other related companies are disclosed below.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Loan from a director	**–**	210	**–**	210

Outstanding balances as at 31 December 2014 arising from loan from a director was disclosed in Note 12.

25. CONTINGENCIES AND COMMITMENTS

(i) Contingent liabilities

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Corporate guarantees provided to banks and financial institutions for credit facilities granted to subsidiaries	**–**	–	**1,187**	750
Performance guarantee to customers for performance of the contracts during the contract and warranty periods	**139**	5,419	**–**	–

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 2015 and 31 December 2014.

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

The Group leases land, 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.

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25. CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

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

	Group	
	2015	**2014**
	$'000	**$'000**
Future minimum lease payments		
– Not later than 1 year	**400**	433
– Later than 1 year and not later than 5 years	**123**	356
	523	789

26. 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 segment 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 segments. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities reported to the CEO represents total assets and liabilities of the reportable segment excluding the corporate functions and any unallocated amount recorded in subsidiary with multiple segment businesses.

As disclosed in Note 21, the results, assets and liabilities pertaining to DET Disposal Group, which has operation in each of the three segments above, are included in discontinued operation during the financial year. Accordingly, the comparative figures have been restated to be in line with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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26. SEGMENT INFORMATION (CONTINUED)

Business segments

The information for the reportable segments for the financial year ended 31 December 2015 and 2014 is as follows:

2015

	Continuing operations					Discontinued operation
	EE Systems $'000	WM Services $'000	Trading $'000	Eliminations $'000	Total $'000	WM Services $'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	–
Depreciation of property, plant and equipment	(19)	(228)	(198)	–	(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)	(2,817)
Interest income	1	4	1	–	6	*
Finance costs	–	(19)	(5)	–	(24)	(94)
Assets						
Segment assets	5,768	10,161	5,987	–	21,916	–
Liabilities						
Segment liabilities	1,991	1,858	1,014	–	4,863	–

* Amount less than $1,000.

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26. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

2014 (Restated)

	Continuing operations					Discontinued operation
	EE Systems $'000	**WM Services $'000**	**Trading $'000**	**Eliminations $'000**	**Total $'000**	**WM Services $'000**
Revenue						
Sales to external customers	13,392	10,273	7,571	–	31,236	679
Inter-segment sales	–	–	24	(24)	–	–
Total	13,392	10,273	7,595	(24)	31,236	679
Segment profit/(loss)	3,972	3,488	1,985	(15)	9,430	(849)
Other information:						
Additions to property, plant and equipment	19	46	217	–	282	71
Depreciation of property, plant and equipment	(29)	(177)	(194)	–	(400)	(28)
Impairment loss of property, plant and equipment	–	(56)	–	–	(56)	(13)
Gain on disposal of property, plant and equipment	–	1	31	–	32	6
Allowance for impairment of receivables	–	–	(26)	–	(26)	–
Interest income	8	164	3	–	175	2
Finance costs	(7)	(7)	(52)	–	(66)	(123)
Assets						
Segment assets	5,359	9,211	5,763	–	20,333	5,968
Liabilities						
Segment liabilities	2,481	1,196	1,848	–	5,525	7,565

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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26. SEGMENT INFORMATION (CONTINUED)

Reconciliation

(i) Segment profits/(loss)

The following items are added to/(deducted from) segment profit 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 (Note 21)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Segment profit/(loss) from the reportable segments	**7,697**	9,430	**(561)**	(849)
Other income	**813**	1,745	**1,409**	258
Distribution expenses	**(329)**	(360)	**–**	(226)
Administrative expenses	**(7,771)**	(7,992)	**(832)**	(870)
Other expense	**–**	–	**(2,599)**	–
Finance costs	**(113)**	(271)	**(94)**	(123)
Profit/(Loss) before income tax	**297**	2,552	**(2,677)**	(1,810)

(ii) Other material information

	Continuing operations		Discontinued operation	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Additions to property, plant and equipment				
Segment total	**364**	282	**–**	71
Unallocated:				
– Relates to general and corporate assets	**172**	82	**–**	–
	536	364	**–**	71
Depreciation of property, plant and equipment				
Segment total	**(445)**	(400)	**–**	(28)
Unallocated:				
– Relates to general and corporate assets	**(62)**	(48)	**–**	–
	(507)	(448)	**–**	(28)
Interest income				
Segment total	**6**	175	*****	2
Unallocated:				
– Arising from general and corporate used	**22**	–	**–**	–
	28	175	*****	2

* Amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

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26. SEGMENT INFORMATION (CONTINUED)

Reconciliation (Continued)

(ii) Other material information (Continued)

	Continuing operations		Discontinued operation	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Finance costs				
Segment total	**(24)**	(66)	**(94)**	(123)
Unallocated:				
– Relating to borrowing for general working capital purpose	**(89)**	(205)	**–**	–
	(113)	(271)	**(94)**	(123)

(iii) Segment assets

Segment assets are reconciled to total assets as follows:

	Continuing operations		Discontinued operation	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Segment assets for reportable segments	**21,916**	20,333	**–**	5,968
Unallocated assets:				
– Deferred tax assets	**144**	136	**–**	–
– Property, plant and equipment	**132**	123	**–**	–
– Other receivables	**334**	382	**–**	–
– Cash and bank balances	**2,477**	1,430	**–**	–
	25,003	22,404	**–**	5,968

(iv) Segment liabilities

Segment liabilities are reconciled to total liabilities are as follows:

	Continuing operations		Discontinued operation	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Segment liabilities for reportable segments	**4,863**	5,525	**–**	7,565
Unallocated liabilities:				
– Deferred tax liabilities	**250**	169	**–**	–
– Income tax payable	**13**	81	**–**	–
– Other payables	**932**	3,894	**–**	–
– Borrowings	**1,187**	1,644	**–**	–
	7,245	11,313	**–**	7,565

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26. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

(i) Taiwan – the operations in this areas are principally the design, fabrication, 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; 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.

(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 wastewater and other waste discharge for industrial use in Philippines.

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

2015

	Revenue				Non-current assets			
	Continuing operations		Discontinued operation		Continuing operations		Discontinued operation	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Malaysia	**18,806**	22,692	**–**	–	**1,051**	1,015	**–**	–
Singapore	**3,173**	4,182	**–**	–	**1,721**	2,221	**–**	–
Taiwan	**3,678**	3,743	**89**	679	**2,188**	2,006	**–**	–
The People's Republic of China	**799**	328	**–**	–	**117**	81	**–**	–
Other countries	**354**	291	**–**	–	**3**	5	**–**	–
	26,810	31,236	**89**	679	**5,080**	5,328	**–**	–

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

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27. 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 State dollars ("USD") and Euro.

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 Malaysia and Taiwan are managed primarily through borrowings denominated in the relevant foreign currencies.

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27. 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 key management is as follows:–

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, Australian dollar, Indonesian Rupiah and Peso.

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27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group

2014	SGD $'000	USD $'000	MYR $'000	NTD $'000	RMB $'000	Others * $'000	Total $'000
Financial assets							
Trade and other receivables	414	–	5,394	6,000	174	229	12,211
Cash and bank balances	2,022	646	1,258	1,320	3,654	319	9,219
Intragroup receivables	11,209	2,407	866	974	11	–	15,467
	13,645	3,053	7,518	8,294	3,839	548	36,897
Financial liabilities							
Trade and other payables	4,264	84	878	4,904	95	101	10,326
Borrowings	37	–	1,820	1,304	–	–	3,161
Intragroup payables	11,209	2,407	866	974	11	–	15,467
	15,510	2,491	3,564	7,182	106	101	28,954
Net financial (liabilities)/assets	(1,865)	562	3,954	1,112	3,733	447	7,943
Less: Net financial liabilities denominated in the respective entities' functional currencies	1,923	–	(3,954)	(1,112)	(3,731)	(197)	(7,071)
Foreign currency exposure	58	562	–	–	2	250	872

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

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27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

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)**

Company

2014	**SGD $'000**	**USD $'000**	**RMB $'000**	**Euro $'000**	**Total $'000**
Financial assets					
Trade and other receivables	620	–	–	129	749
Cash and bank balances	142	35	2	70	249
	762	35	2	199	998
Financial liabilities					
Trade and other payables	4,169	2,101	–	–	6,270
Net financial (liabilities)/assets	(3,407)	(2,066)	2	199	(5,272)
Less: Net financial liabilities denominated in the Company's functional currency	3,407	–	–	–	3,407
Foreign currency exposure	–	(2,066)	2	199	(1,865)

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27. 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% (2014: 5%) increase and decrease in the functional currency 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% (2014: 5%) change in foreign currency rates.

If the foreign currency strengthen by 5% (2014: 5%) against the relevant functional currencies, with all other variables held constant, the loss for the financial year will increase/(decrease) (2014: profit for the financial year will increase/(decrease)) by:

	SGD $'000	USD $'000	MYR $'000	NTD $'000	RMB $'000	Others** $'000
2015						
Group						
Loss for the financial year	**(1)**	**(47)**	**–**	**(53)**	*****	**(4)**
Company						
Profit for the financial year	**–**	**(74)**	**–**	**53**	**1**	**3**
2014						
Group						
Profit for the financial year	2	23	–	–	*	10
Company						
Profit for the financial year	–	(86)	–	–	*	8

* Amount less than $1,000.

** Others are denominated in Euro, Australian dollar, Indonesian Rupiah and Peso.

A 5% (2014: 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 remains constant.

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27. 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 policy is to maintain 80% to 90% (2014: 80% to 90%) of its borrowings in floating rate instruments. 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, was as follows:

	Group Nominal amount		**Company Nominal amount**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Fixed rate instruments				
Financial liabilities	**918**	3,718	**501**	1,722
Variable rate instruments				
Financial liabilities	**977**	1,071	**–**	–

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.

An increase in interest rates by 50 (2014: 50) basis points for variable rate borrowings is not expected to have a significant impact on the Group's profit/(loss) before income tax.

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27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(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 short-term deposits as disclosed in Note 11.

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve comprises borrowings (Note 13) and cash and bank balances (Note 11) 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.

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 include 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
2015				
Trade and other payables	**3,769**	**–**	**–**	**3,769**
Borrowings (Note 13)	**1,032**	**579**	**541**	**2,152**
	4,801	**579**	**541**	**5,921**
2014				
Trade and other payables	10,326	–	–	10,326
Borrowings (Note 13)	1,715	1,059	540	3,314
	12,041	1,059	540	13,640

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Company	On demand or within 1 year $'000	Between 2 to 5 years $'000	Total $'000
2015			
Trade and other payables	**2,249**	**501**	**2,750**
Financial guarantee contracts (Note 25(a))	**1,187**	**–**	**1,187**
	3,436	**501**	**3,937**
2014			
Trade and other payables	4,548	1,722	6,270
Financial guarantee contracts (Note 25(a))	750	–	750
	5,298	1,722	7,020

Trade and other payables of the Group are non-interest bearing and normally settled on a range of 30 to 120 days terms. Trade and other payables of the Company include balances owing to subsidiaries which are repayable on demand except for an amount of $501,000 (2014: $1,722,000) (Note 12). These are included as liabilities payable on demand or within one year.

(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 bank deposits and trade 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 on the statements of financial position, except for guarantees as disclosed in Note 25(a).

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The amounts presented in the statements of financial position are net of allowances for impairment 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	
	2015	**2014**
	$'000	**$'000**
Not past due and not impaired	**3,557**	2,089
Past due but not impaired		
– Past due 0 to 3 months	**2,148**	2,435
– Past due 3 to 6 months	**616**	669
	2,764	3,104
Past due and impaired trade receivables	**352**	3,912
Less: Allowance for impairment loss	**(352)**	(3,912)
	6,321	5,193

The movement in allowance for impairment loss is disclosed in Note 8.

Trade receivables that are individually determined to be impaired at the date of the statement of financial position 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 balance are debtors with total carrying amount of $2,764,000 (2014: $3,104,000), 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 amount are still considered recoverable.

The Group's trade receivables of $3,557,000 (2014: $2,089,000) that are neither past due and not impaired are with creditworthy debtors with good collection record with the Group. These balances are fully recoverable.

As at reporting date, the Company provided an impairment allowance of an aggregate amount of $8,336,000 (2014: $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 reporting date, the Group provided an impairment allowance of an aggregate amount of $64,000 (2014: $1,511,000) on other receivables as disclosed in Note 8. These pertain to third parties receivables which are deemed financially unable to repay.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

27. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
– Loans and receivables (including cash and bank balances)	**18,407**	21,430	**6,471**	998
Financial liabilities at amortised cost	**5,664**	13,506	**2,750**	6,270

Capital risk management policies and objectives

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.

Management monitors capital based on gearing ratio. The Group are also required by the banks to maintain a gearing ratio of not exceeding 1.7 times (2014: 1.7 times). The Group's strategies, which were unchanged from 2013 are to maintain gearing ratios below 1.7 times.

The gearing ratio is calculated as total debts (borrowings) divided by total tangible networth. Total tangible networth is calculated as total equity less non-controlling interests less intangible assets.

	Group	
	2015	**2014**
	$'000	**$'000**
Total debts	**1,895**	3,161
Total tangible networth	**15,361**	6,101
Gearing ratio	**0.12 times**	0.52 times

The Group is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

28. FAIR VALUES OF ASSETS AND LIABILITIES

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have 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 reporting date, there are no financial instruments in this category.

(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 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

At reporting date, there are no financial instruments in this category.

29. COMPARATIVES

As disclosed in Note 21 to the financial statements, the classifications of results of the discontinued operation are in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operation*. The comparative statement of profit or loss and other comprehensive income has been represented so that the disclosure reflects the discontinued operation for all the periods presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars ("$'000"))

30. SUBSEQUENT EVENT

On 11 August 2015, the Company announced that it had entered into a conditional sale and purchase agreement ("SPA") with Wuhan Liankai Investment Co., Ltd, Hong Kong Meidi Investments Holdings Co., Ltd. and Mr. Zhang Zhengda, collectively referred to the vendors (the "Vendors") in respect of the proposed acquisition by the Company of 60% of the total equity interest in the registered capital of Wuhan Kaidi Water Services Co., Ltd ("Target") for a consideration of $10,900,939. The Target is incorporated in the PRC, and its principal activities is provision of comprehensive and integrated engineering solutions for water purification, water supply and wastewater treatment systems. The consideration of $10,900,939 shall be satisfied by issuance of 382,489,084 new shares in the Company at an issue price of $0.0285 per share. Following the completion of the Share Consolidation exercise in December 2015, the number of shares to be issued as a consideration is reduced to 19,124,454 Shares at an issue price of $0.57 each.

On 28 December 2015, the Company and the Vendors have entered into a supplemental agreement to the SPA, to extend the Long Stop Date for the satisfaction of the conditions precedent set out in the SPA, from 31 December 2015 to 31 March 2016.

Subsequently the proposed acquisition was approved by the Shareholders at the extraordinary general meeting held on 17 March 2016.

As of the date of this report, the proposed acquisition is pending completion, mainly the transfer/issuance of shares.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2016

Class of Shares	–	Ordinary Shares
Number of Shares	–	33,202,147
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	280	12.31	12,519	0.04
100 – 1,000	1,082	47.56	540,615	1.63
1,001 – 10,000	699	30.72	2,539,822	7.65
10,001 – 1,000,000	209	9.19	13,040,106	39.27
1,000,001 AND ABOVE	5	0.22	17,069,085	51.41
TOTAL	**2,275**	**100.00**	**33,202,147**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	THYE KIM MENG	7,155,485	21.55
2	STONE ROBERT ALEXANDER	5,400,000	16.26
3	HELEN YANG	1,608,640	4.84
4	HUANG JIAN	1,504,800	4.53
5	HUANG LINGXI	1,400,160	4.22
6	DBSN SERVICES PTE. LTD.	745,210	2.24
7	CIMB SECURITIES (SINGAPORE) PTE. LTD.	534,855	1.61
8	FENG JUN	501,200	1.51
9	UOB KAY HIAN PRIVATE LIMITED	490,170	1.48
10	LEE SUE LIN	389,296	1.17
11	PHILLIP SECURITIES PTE LTD	364,300	1.10
12	DBS NOMINEES (PRIVATE) LIMITED	350,073	1.05
13	MARY NG GEOK LAN	349,741	1.05
14	TAN TJIN GUAN @ JIO TJIN GUAN	308,770	0.93
15	NG MUI LENG	266,155	0.80
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	253,370	0.76
17	ANG KAR YEN	231,400	0.70
18	THYE KIM FAH	224,657	0.68
19	OCBC SECURITIES PRIVATE LIMITED	223,440	0.67
20	NG MUI KIANG	206,755	0.62
	TOTAL	**22,508,477**	**67.77**

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2016

SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

		DIRECT INTEREST		DEEMED INTERESTS	
NO.	NAME	NO. OF SHARES HELD	%	NO. OF SHARES HELD	%
1.	Thye Kim Meng	7,155,485	21.55	–	–
2.	Stone Robert Alexander	5,400,000	16.26	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 24 March 2016, 62.16% 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 of Darco Water Technologies Limited (the "**Company**") will be held at 25 Tai Seng Avenue #01-01, Scorpio East Building, Singapore 534104 on Wednesday, 20 April 2016 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 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$152,274 for the financial year ended 31 December 2015. **(Resolution 2)**

3. (a) 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)**

Regulation 115

(iii) Mr. Tay Lee Chye Lester **(Resolution 5)**

(iv) Mr. Tay Von Kian **(Resolution 6)**

[See Explanatory Note (i)]

(b) To note that Mr Ross Yu Limjoco will be retiring pursuant to Regulation 106 of the Constitution of the Company and he will not be seeking re-election at this Annual General Meeting.

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 7)**

5. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

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 pursuant to any Instrument 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 pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the 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 the Instruments or any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate 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

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**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 or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 8)**

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 9)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 5 April 2016

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, Nominating Committee and Remuneration 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 Chairman of the Audit Committee and 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. Tay Von Kian will upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 8, if passed, will empower the Directors of the Company from the date of this AGM 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 the 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, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) Resolution 9, 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.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. A Relevant Intermediary may appoint more than two 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.).

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 123 Woodlands Industrial Park E5 Woodlands E-Terrace Singapore 757498 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) 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) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), 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.

NOTICE OF ANNUAL GENERAL MEETING

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 Annual General Meeting 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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), 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) 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.

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

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.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

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 Avenue #01-01 Scorpio East Building, Singapore 534104 on Wednesday, 20 April 2016 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.

No.	Resolutions relating to:	No. of votes 'For#	No. of votes 'Against#
	Ordinary Business		
1	Adoption of the Audited Financial Statements for the financial year ended 31 December 2015 and the Auditors' Report		
2	Approval of Directors' fees amounting to S$152,274 for the financial year ended 31 December 2015		
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 Tay Lee Chye Lester as a Director		
6	Re-election of Mr Tay Von Kian as a Director		
7	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors and authority to Directors to fix remuneration		
	Special Business		
8	Authority to allot and issue shares		
9	Authority to issue shares under the Darco Performance Share Plan		

 # If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ______________ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two 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 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or 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 123 Woodlands Industrial Park E5 Woodlands E-Terrace Singapore 757498 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 appointer, 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 accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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 (Cap. 19) 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 (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 appointer are not ascertainable from the instructions of the appointer 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 appointer, 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 PRIVACY

By 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 5 April 2016.

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DARCO

SOLUTIONS TO WATER & WASTE

DARCO WATER TECHNOLOGIES LIMITED
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