



SOLUTIONS TO WATER & WASTE

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

UNAUDITED FINANCIAL STATEMENTS
FOR THE FULL YEAR ENDED 31 DECEMBER 2022

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

A. Condensed consolidated statement of profit or loss and other comprehensive income

	Note	The Group					
		Unaudited 6 months 31-Dec-22 \$'000	Unaudited 6 months 31-Dec-21 \$'000	Change %	Unaudited 12 months 31-Dec-22 \$'000	Audited 12 months 31-Dec-21 \$'000	Change %
Revenue	3, 4	46,755	37,847	23.5	77,705	54,552	42.4
Cost of sales		(38,431)	(33,272)	15.5	(64,877)	(47,351)	37.0
Gross Profit		8,324	4,575	81.9	12,828	7,201	78.1
Other income	5	1,318	1,026	28.5	1,519	1,416	7.3
Distribution expenses		(289)	(659)	(56.1)	(648)	(1,479)	(56.2)
Administrative expenses		(6,789)	(5,859)	15.9	(11,500)	(10,257)	12.1
Impairment loss on financial assets		(623)	(3,613)	(82.8)	(623)	(3,613)	(82.8)
Finance costs	6	(348)	(656)	(47.0)	(465)	(765)	(39.2)
Profit/(loss) before income tax	7	1,593	(5,186)	n.m.	1,111	(7,497)	n.m.
Income tax (expense)/credit	9	(242)	193	225.4	(240)	191	225.7
Profit/(loss) for the financial period/year, net of tax		1,351	(4,993)	n.m.	871	(7,306)	n.m.
Profit/(loss) attributable to:							
Equity holders of the Company		1,117	(4,577)	n.m.	813	(6,453)	n.m.
Non-controlling interests		234	(416)	n.m.	58	(853)	n.m.
		1,351	(4,993)	n.m.	871	(7,306)	n.m.
Other comprehensive income/(loss):							
<u>Items that may be reclassified to profit and loss subsequently</u>							
Currency translation differences arising from consolidation		(942)	266	(454.1)	(979)	221	(543.0)
Currency translation differences arising from consolidation reclassified to profit or loss		-	67	(100.0)	-	67	(100.0)
Acquisition of shares owned by non- controlling interests		-	14	(100.0)	-	14	(100.0)
Other comprehensive income/(loss) for the financial period/year		(942)	347	(371.5)	(979)	302	(424.2)
Total comprehensive income/(loss) for the financial period/year		409	(4,646)	n.m.	(108)	(7,004)	(98.5)
Total comprehensive income/(loss) attributable to:							
Equity holders of the Company		124	(4,434)	n.m.	(161)	(6,356)	(97.5)
Non-controlling interests		285	(212)	n.m.	53	(648)	n.m.
		409	(4,646)	n.m.	(108)	(7,004)	(98.5)
Earnings per share for profit/(loss) for the period /year attributable to the owners of the Company during the year							
Basic (in cent)		1.19	(4.88)		0.87	(6.88)	
Diluted (in cent)		1.19	(4.88)		0.87	(6.88)	

n.m. denotes not meaningful

Darco Water Technologies Limited (Incorporated in Singapore)
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B. Condensed statements of financial position

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31/12/2022	31/12/2021	31/12/2022	31/12/2021
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant equipment	10	4,994	5,587	18	-
Right-of-use assets		496	642	70	-
Intangible assets		11,797	2,713	-	-
Investment in subsidiaries		-	-	19,855	19,321
Deferred tax assets		868	966	-	-
Other receivables and refundable deposits		578	797	573	788
		<u>18,733</u>	<u>10,705</u>	<u>20,516</u>	<u>20,109</u>
Current assets					
Inventories		3,544	4,541	-	-
Trade and other receivables		44,328	44,614	6,757	7,335
Income tax recoverable		537	358	-	-
Cash and bank balances		19,828	23,433	1,351	1,500
Total current assets		<u>68,237</u>	<u>72,946</u>	<u>8,108</u>	<u>8,835</u>
Total assets		<u>86,970</u>	<u>83,651</u>	<u>28,624</u>	<u>28,944</u>
LIABILITIES					
Current liabilities					
Trade and other payables		38,767	37,918	2,307	2,021
Borrowings	11	2,866	4,016	-	-
Lease liabilities		232	293	42	-
Other financial liabilities	12	3,460	2,783	-	-
Income tax payable		335	422	-	-
Total current liabilities		<u>45,660</u>	<u>45,432</u>	<u>2,349</u>	<u>2,021</u>
Non-current liabilities					
Borrowings	11	765	879	-	-
Other payables	13	3,355	-	-	-
Lease liabilities		173	226	29	-
Deferred tax liabilities		19	3	-	-
Total non-current liabilities		<u>4,312</u>	<u>1,108</u>	<u>29</u>	<u>-</u>
Total liabilities		<u>49,972</u>	<u>46,540</u>	<u>2,378</u>	<u>2,021</u>
Net assets		<u>36,998</u>	<u>37,111</u>	<u>26,246</u>	<u>26,923</u>

B. Condensed statements of financial position (Continued)

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31/12/2022	31/12/2021	31/12/2022	31/12/2021
		\$'000	\$'000	\$'000	\$'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	76,766	76,766	76,766	76,766
Other reserves		(4,052)	(3,073)	-	-
Accumulated losses		(38,075)	(38,888)	(50,520)	(49,843)
		<u>34,639</u>	<u>34,805</u>	<u>26,246</u>	<u>26,923</u>
Non-controlling interests		2,359	2,306	-	-
Total equity		<u>36,998</u>	<u>37,111</u>	<u>26,246</u>	<u>26,923</u>

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

C. Condensed consolidated statement of cash flows

	Note	Full year ended 31 December	
		Unaudited 31/12/2022 (\$'000)	Audited 31/12/2021 (\$'000)
Cash flows from operating activities			
Profit/(loss) before income tax		1,111	(7,497)
Adjustments for:			
Amortisation of intangible assets		9	23
Depreciation of property, plant and equipment		498	540
Depreciation of right-of-use assets		335	382
Gain on disposal of property, plant and equipment		(2)	(28)
Provision for slow moving inventories		-	13
Impairment loss on financial assets		623	3,613
Loss on disposal and liquidation of subsidiaries		-	116
Inventories written off		13	-
Interest expense		465	765
Interest income		(75)	(75)
Exchange differences		116	(702)
Operating profit/(loss) before working capital changes		3,093	(2,850)
Inventories		960	(2,738)
Contract asset/(liabilities)		3,370	10,031
Trade and other receivables		(5,036)	4,475
Trade and other payables		1,856	(3,050)
Withdrawn of pledged fixed deposits and bank balances		2,404	320
Intangible assets		(8,961)	(1,115)
Cash (used in)/generated from operations		(2,314)	5,073
Income taxes paid		(232)	(371)
Net cash (used in)/ generated from operating activities		(2,546)	4,702

C. Condensed consolidated statement of cash flows (Continued)

	Note	Full year ended 31 December Unaudited 31/12/2022 (\$'000)	Audited 31/12/2021 (\$'000)
Cash flows from investing activities			
Disposal of subsidiaries, net of cash outflows		-	(307)
(Placement)/ Withdrawn of pledged fixed deposits with tenure more than 3 months		(236)	73
Purchase of property, plant and equipment	10	(309)	(340)
Proceeds from disposal of property, plant and equipment		13	66
Purchase of intangible asset		(30)	-
Interest received		75	75
		<u>(487)</u>	<u>(433)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Capital injection from non-controlling interests		678	2,020
Proceeds from other payables	13	3,355	-
Proceeds from borrowings		2,026	1,478
Repayment of borrowings		(3,453)	(1,990)
Principal repayment of lease liabilities		(334)	(372)
Interest paid		(165)	(196)
		<u>2,107</u>	<u>940</u>
Net cash generated from financing activities			
Net (decrease)/increase in cash and cash equivalents		(926)	5,209
Cash and cash equivalents at the beginning of financial year		18,710	12,937
Effect of exchange rate changes on cash and cash equivalents		(806)	564
		<u>16,978</u>	<u>18,710</u>
Cash and cash equivalents at the end of financial year			

C. Condensed consolidated statement of cash flows (Continued)

	Full year ended 31 Dec	
	Unaudited	Audited
	2022	2021
	(\$'000)	(\$'000)
Cash and cash equivalents comprise the following: -		
Cash and bank balances as per statements of financial position	19,828	23,433
Bank balances pledged	(783)	(1,542)
Fixed deposits pledged	-	(1,810)
Fixed deposits with tenure more than 3 months	(649)	(246)
Bank overdraft	(1,418)	(1,125)
Cash and cash equivalents as per consolidated cash flows	16,978	18,710

D. Condensed statements of changes in equity

	<u>Attributable to equity holders of the Company</u>					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Balance as at 1.1.2022	76,766	(3,073)	(38,888)	34,805	2,306	37,111
Profit for financial year	-	-	813	813	58	871
Other comprehensive (loss)/income for the financial year, net of tax						
- Currency translation differences arising from consolidation	-	(974)	-	(974)	(5)	(979)
Total comprehensive loss for the financial year	-	(974)	813	(161)	53	(108)
Contribution by and distribution to owner						
Capital injection by Non-Controlling Interest ("NCI")	-	-	-	-	678	678
Recognition of other financial liabilities	-	-	-	-	(678)	(678)
Acquisition of shares owned by NCI	-	(5)	-	(5)	-	(5)
Total contribution by and distribution to owners	-	(5)	-	(5)	-	(5)
Balance as at 31.12.2022	76,766	(4,052)	(38,075)	34,639	2,359	36,998

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D. Condensed statements of changes in equity (Continued)

	Attributable to equity holders of the Company			Total (\$'000)	Non- controlling interests (\$'000)	Total (\$'000)
	Share Capital (\$'000)	Other reserves (\$'000)	Accumulated losses (\$'000)			
Balance as at 1.1.2021	76,766	(3,170)	(32,435)	41,161	2,954	44,115
Loss for the financial year	-	-	(6,453)	(6,453)	(853)	(7,306)
Other comprehensive income/(loss) for the financial year, net of tax						
- Currency translation differences arising from consolidation	-	(16)	-	(16)	237	221
- Currency translation differences arising from consolidation reclassified to profit or loss	-	99	-	99	(32)	67
Total comprehensive loss for the financial year	-	83	(6,453)	(6,370)	(648)	(7,018)
Contribution by and distribution to owner						
Capital injection by Non- Controlling Interest ("NCI")	-	-	-	-	2,020	2,020
Recognition of other financial liabilities	-	-	-	-	(2,020)	(2,020)
Acquisition of shares owned by NCI	-	14	-	14	-	14
Total contribution by and distribution to owners	-	14	-	14	-	14
Balance as at 31.12.2021	76,766	(3,073)	(38,888)	34,805	2,306	37,111

E. Notes to the condensed consolidated financial statements

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 120, Lower Delta Road #04-03 Cendex Centre, Singapore 169208.

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 as follows: -

- (a) designing, installing, setting up and maintaining of industrial wastewater 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;
- (b) design and supply of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies;
- (c) trading in vacuum cleaning systems and provision of related services; and
- (d) solid waste disposal treatment and incineration; noise and vibration prevention engineering; soil pollution control engineering; environmental monitoring system

2. Basis of preparation

The condensed interim financial statements for the year ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar (“\$”) which is the Company's functional currency, and all values are recorded to nearest thousand (\$'000) as indicated.

2.1. New and amended standards adopted by the Group

The Group has adopted the new and revised Singapore Financial Reporting Standards (International) (“SFRS(I)s”) that are mandatory for financial years beginning on and after 1 January 2022, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the financial statements of the Group as at 1 January 2022.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

E. Notes to the condensed consolidated financial statements (Continued)

2. Basis of preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.2.1. Critical judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following:

Revenue recognition on contract revenue

The Group has assessed its contracts in EE system as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

2.2.2. Critical accounting estimates and assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

(a) Contract revenue – measuring progress

The Group recognises revenue from contract revenue over time using input method. The progress 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 that will affect the measure of progress towards complete satisfaction of the performance obligations; and to estimate the variable consideration that is not contracted. In making these estimates, management relied on past experiences and the knowledge of the project engineers.

The carrying amounts of contract assets and contract liabilities arising from contract revenue as at 31 December 2022 are \$16,528,000 and \$15,265,000 (2021: \$19,398,000 and \$14,746,000), respectively.

If the estimated total contract costs to complete of major contracts increase / decrease by 10% from management's estimates, the Group's revenue will decrease / increase by \$1,147,000 (2021: \$452,000).

E. Notes to the condensed consolidated financial statements (Continued)

2. Basis of preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

2.2.2. Critical accounting estimates and assumptions (Cont'd)

(b) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group's past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. Expected loss rate is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, geographical location, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.

(d) Income tax

Current tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. In determining the income tax liabilities of a routine tax assessment year, management estimated the amount of capital allowance and the deductibility of certain expenses at each tax jurisdiction. Where the final tax outcome is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax recoverable and payable as at 31 December 2022 amounted to \$537,000 and \$335,000 (2021: \$358,000 and \$422,000) respectively.

Deferred tax - recognised

Changes in income tax laws and rates may affect recorded deferred tax assets and liabilities in the future. As at 31 December 2022, a subsidiary in The People's Republic of China which enjoys a concessionary tax rate of 15% (2021: 15%), had recognised deferred tax assets of approximately \$868,000 (2021: \$966,000) on the basis that the concessionary tax rate will still be available at the timing of reversal of the temporary differences.

E. Notes to the condensed consolidated financial statements (Continued)

3. Segment and revenue information

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

- (i) EE Systems – Contract to designs, fabricates, assembles, installs and commission engineered water systems for industrial application; and engineered vacuum solution.
- (ii) WM Services – Services and maintains water and wastewater treatment plants; and
- (iii) Trading – Trades and supplies of goods comprising chemicals, electrical controls and related instruments used in water treatment systems.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the Chief Executive Officer (the chief operating decision maker) based on gross profit or loss of the respective segment. Segment assets and liabilities reported to the CEO represent total assets and liabilities of the reportable segment excluding the corporate functions and any unallocated amount recorded in subsidiaries with multiple segment businesses and subsidiaries that have yet to commence operations.

Seasonality of operations

The Group’s business is not affected significantly by seasonal or cyclical factors during the financial period.

Business segments

The information for the reportable segments for the financial year ended 31 December 2022 and 2021 is as follows:

	EE				Total
	Systems	WM Services	Trading	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2022					
Revenue					
Sales to external customers	62,421	5,036	10,248	-	77,705
Inter-segment sales	-	-	94	(94)	-
Total	62,421	5,036	10,342	(94)	77,705
Segment profit	10,745	(412)	2,495	-	12,828
Other information:					
Additions to property, plant and equipment	109	-	74	-	183
Additions to right of use assets	7	-	1	-	8
Additions to intangible assets	8,991	-	-	-	8,991
Amortisation of intangible assets	(9)	-	-	-	(9)
Depreciation of property, plant and equipment	(328)	-	(76)	-	(404)
Depreciation of right-of-use assets	(58)	(18)	(18)	-	(94)
Legal and other professional fees	(99)	(20)	(39)	-	(158)
Provision for/(Reversal of) Impairment loss on financial assets	(721)	43	55	-	(623)
Interest income	45	8	18	-	71
Finance costs	(101)	(21)	(39)	97	(64)

E. Notes to the condensed consolidated financial statements (Continued)

3. Segment and revenue information (Cont'd)

31 December 2021	EE				Total
	Systems	WM Services	Trading	Eliminations	
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
Sales to external customers	38,969	6,864	8,719	-	54,552
Inter-segment sales	-	-	678	(678)	-
Total	38,969	6,864	9,397	(678)	54,552
Segment profit	4,841	1,032	1,328	-	7,201
Other information:					
Additions to property, plant and equipment	147	-	-	-	147
Additions to right of use assets	-	-	20	-	20
Additions to intangible assets	1,115	-	-	-	1,115
Impairment loss on financial assets, net	(1,776)	(134)	(204)	-	(2,114)
Amortisation of intangible assets	(23)	-	-	-	(23)
Depreciation of property, plant and equipment	(399)	-	(45)	-	(444)
Depreciation of right-of-use assets	(57)	(28)	(38)	-	(123)
Interest income	31	14	21	-	66
Finance costs	(266)	(33)	(45)	151	(193)
Gain on disposal of property, plant and equipment	28	-	-	-	28

Reconciliation

(i) Segment profits

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:

	31 December 2022	31 December 2021
	\$'000	\$'000
Segment profit from the reportable segments	12,828	7,201
Other income	1,519	1,416
Distribution expenses	(648)	(1,479)
Administrative expenses	(11,500)	(10,257)
Impairment loss on financial assets	(623)	(3,613)
Finance costs	(465)	(765)
Profit/(loss) before income tax	1,111	(7,497)

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4. Revenue

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major type of goods and services and geographical location based on location of customers.

	Group			Total
	Contract revenue	Rendering of services	Sale of goods	
	\$'000	\$'000	\$'000	\$'000
31 December 2022				
Geographical markets				
PRC	22,586	-	-	22,586
Malaysia	20,158	4,860	8,954	33,972
Singapore	10,708	176	251	11,135
Vietnam	8,969	-	1,043	10,012
	62,421	5,036	10,248	77,705
Timing of revenue recognition				
At a point of time	-	2,913	10,248	13,161
Over time	62,421	2,123	-	64,544
	62,421	5,036	10,248	77,705
31 December 2021				
Geographical markets				
PRC	26,372	-	-	26,372
Malaysia	3,892	5,889	8,404	18,185
Singapore	7,341	361	191	7,893
Vietnam	1,364	80	124	1,568
Others	-	534	-	534
	38,969	6,864	8,719	54,552
Timing of revenue recognition				
At a point of time	-	4,173	8,719	12,892
Over time	38,969	2,691	-	41,660
	38,969	6,864	8,719	54,552

A breakdown of sales:

	2022	2021
	\$'000	\$'000
Sales reported for the first half of the year	30,950	16,705
Loss after tax before non-controlling interest reported for the first half year	(480)	(2,313)
Sales reported for the second half of the year	46,755	37,847
Profit/(loss) after tax before non-controlling interest reported for the second half year	1,351	(4,993)

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5. Other income

	Group Financial Year Ended		Change %
	Unaudited	Audited	
	31 December 2022 \$'000	31 December 2021 \$'000	
Gain on disposal of property, plant and equipment	2	28	(92.9)
Gain on foreign exchange, net	244	438	(44.3)
Government grants:			
- Job support scheme	-	6	(100.0)
- Other Covid-19 related support	-	418	(100.0)
- Others	84	295	(71.5)
Interest income	75	75	(0)
Ex- gratia payment from a shareholder	1,000	-	100.0
Miscellaneous income	114	156	(26.9)
	1,519	1,416	7.3

6. Finance costs

	Group Financial Year Ended		Change %
	Unaudited	Audited	
	31 December 2022 \$'000	31 December 2021 \$'000	
Interest expenses on:			
- Other financial liabilities (amount owing to non-controlling interests)	(300)	(569)	(47.3)
- Borrowings	(124)	(166)	(25.3)
- Lease liabilities	(20)	(28)	(28.6)
- Trust receipts	(21)	(2)	950.0
	(465)	(765)	(39.2)

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7. Profit/(loss) before income tax

	Group Financial Year Ended		% Change
	Unaudited	Audited	
	31 December 2022	31 December 2021	
	\$'000	\$'000	
Amortisation of intangible assets	9	23	(60.9)
Auditors' remuneration paid / payable to:			
- auditor of the Company	213	198	7.6
- other auditors	217	103	110.7
Direct material costs included in cost of sales	32,317	21,345	51.4
Sub-contractor costs	7,291	8,167	(10.7)
Depreciation of property, plant and equipment	498	540	(7.8)
Depreciation of right-of-use assets	335	382	(12.3)
Legal and other professional fees	1,115	1,091	2.2
Leases expenses not included in lease liabilities- short term leases	119	130	(8.5)
Personnel expenses	11,513	11,366	1.3
Provision of slow moving inventories	-	13	(100.0)
Loss on disposal and liquidation of subsidiaries	-	116	(100.0)
Inventories written off	-	1	(100.0)
Research and development fees	1,246	1,135	9.8

8. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

9. Taxation

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

Major components of income tax expense/(credit) for the financial year were:

	Group	
	31 December	31 December
	2022	2021
	\$'000	\$'000
Current tax		
- Current year income tax expense	328	369
- Over provision in the previous financial year	(100)	(44)
	228	325
Deferred tax		
- Current year	16	(516)
- Over provision in previous financial year	(4)	-
	12	(516)
	240	(191)

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10. Property, plant and equipment

During the year, the Group acquired assets amounting to \$309,000 (2021: \$340,000).

11. Borrowings

Amount repayable in one year or less, or on demand

As at 31 Dec 2022		As at 31 Dec 2021	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
2,866	-	4,016	-

Amount repayable after one year

As at 31 Dec 2022		As at 31 Dec 2021	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
765	-	879	-

Details of any collateral

As at 31 December 2022 and 31 December 2021, the secured borrowings are secured by corporate guarantees by the Company, fixed deposits, freehold lands, freehold buildings and leasehold lands and building of the subsidiaries.

12. Other financial liabilities

On 30 November 2018, the Group has entered into a shareholder agreement (“SHA”) with InfraCo VietAqua Pte Ltd (“InfraCo”) to develop a portfolio of water projects in Vietnam. The subsidiary, Darco Infraco Vietnam Water Pte. Ltd. (“DIVW”) was incorporated in Singapore for this purpose with the Company owning 51% and InfraCo owning 49% shareholding interest. On 9 August 2022, the Company and the NCI, InfraCo, have further subscribed as per the existing shareholding ratio of 51:49 for an additional 510,000 and 490,000 new ordinary shares in its subsidiary, DIVW for cash consideration of \$706,000 and \$678,000 respectively. Total amount contributed by the Company and InfraCo in DIVW is \$3,848,000 and \$3,698,000 respectively. The Company’s interest in DIVW remains at 51%.

Pursuant to the SHA, there is a call option exercisable by the Company to acquire InfraCo’s 49% equity interest in DIVW and conversely a put option exercisable by InfraCo to sell its equity interest in DIVW to the Group.

During the year, revised SHA has been signed with the following revised terms:

- (i) the put and call option will only be exercisable any time 12 months from the date of commercial operation date of Ba Lai Project; and
- (ii) 12 months interest suspension from 22 March 2020 to 22 March 2021.

As at 31 December 2022, the NCI has invested US\$2,751,000 equivalent to approximately \$3,698,000 (2021: US\$2,262,631 equivalent to approximately \$3,020,000) in DIVW. The liability is recognised at present value of redemption amount, and subsequently measured at amortised cost.

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13. Non-current Payables

Other payables is the Viability Grant Fund (“VGF Grant”) which was approved in May 2021, provided by Private Infrastructure Development Group via InfraCo to fill funding gap and reduce upfront capital costs for Ba Lai Project. During the year, an amount of US\$2.5 million has been drawdown. The VGF Grant is repayable on demand at any time following the second anniversary of Commercial Operation of Ba Lai Project, if the IRR for Ba Lai Project exceed certain internal rate of return. The VGF Grant will no longer be payable upon occurrence of any one of the following events:

1. Upon the Lender exiting from the Project; or
2. After 60 months following achievement of commercial operation (“COD”).

14. Share capital

	Group and Company			
	31 December 2022		31 December 2021	
	Number of ordinary shares	\$'000	Number of ordinary	\$'000
Issued and fully paid ordinary shares				
At beginning and end of the financial year	93,831,492	76,766	93,831,492	76,766

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.

There were no outstanding convertibles and the Company did not hold any treasury shares as at 31 December 2022 and as at the end of the corresponding period of the immediately preceding financial year.

The Company’s subsidiaries do not hold any shares in the Company as at 31 December 2022 and 31 December 2021.

15. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 31 December 2021:

(i) Financial instruments by category

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost:				
- Trade receivables	20,575	18,186	-	-
- Other receivables	3,205	4,520	6,723	8,092
- Contract assets	16,528	19,398	-	-
- Cash and bank balances	19,828	23,433	1,351	1,500
	60,136	65,537	8,074	9,592
Financial liabilities at amortised cost				
	30,075	28,374	2,356	1,988

16. Fair values of assets and liabilities

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

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no transfer from Level 1 and Level 2 to Level 3 during the financial year ended 31 December 2022. The Group had no financial assets or liabilities carried at fair value on 31 December 2022 and 31 December 2021. The Company had no financial assets or liabilities carried at fair value on 31 December 2022 and 31 December 2021.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities reported on the reporting date are reasonable approximation of their fair values, due to:

- their short-term nature; or
- they are market interest rate instruments; or
- 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 the reporting date, there are no financial instruments in this category.

17. Dividends

No dividend has been declared/recommended for the current financial year in view that the Company was loss making and would need to conserve cash for the working capital and investment purpose.

18. Net asset value

	Group		Company	
	Unaudited 31 December 2022 Cents	Audited 31 December 2021 Cents	Unaudited 31 December 2022 Cents	Audited 31 December 2021 Cents
Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial year.	39.43	39.55	27.97	28.69
Number of ordinary shares	93,831,492	93,831,492	93,831,492	93,831,492

Other information

1. Review

The condensed consolidated statement of financial position of Darco Water Technologies Limited and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period and financial year then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

(a) Consolidated statement of profit or loss and other comprehensive income

	Group		
	Full Year Ended		
	Unaudited 31/12/2022 (\$'000)	Audited 31/12/2021 (\$'000)	Change %
Engineered Environmental Systems ("EE Systems")	62,421	38,969	60.2
Water Management Services ("WM Services")	5,036	6,864	(26.6)
Trading	10,248	8,719	17.5
	<u>77,705</u>	<u>54,552</u>	42.4

Revenue of the Group increased from \$54.6 million in FY2021 to \$77.7 million in FY2022.

Revenue from the EE Systems segment increased from \$39.0 million in FY2021 to \$62.4 million in FY2022 mainly due to increase of EPC project secured in Malaysia subsidiaries as market activity picked up with the easing of covid movement control measure.

Revenue from the WM Services and trading segment is from the Malaysian subsidiaries. WM Services focuses on providing operation and maintenance ("O&M") service to industrial customers, while the trading segment involves mainly sales of chemical, consumables, and spare parts to O&M customers. Revenue from WM Services decreased from \$6.9 million in FY2021 to \$5.0 million in FY2022 mainly due to strong competition faced by subsidiaries in Malaysia.

During the year, the Group's gross profit ("GP") margin increased from 13.2% in FY2021 to 16.5% in FY2022 mainly due to effective control of costs in Malaysia and Singapore entities.

Other income

The Group's other income increased from \$1.4 million in FY2021 to \$1.5 million in FY2022. This is mainly due to \$1.0 million ex-gratia payment from a shareholder. Refer to announcement dated 18 July 2022 for detail. The increase is partially offset by a decrease in government grants received.

Operating expenses

The Group's marketing and distribution expenses decreased from \$1.5 million in FY2021 to \$0.6 million in FY2022 due to decrease in travelling costs during the current reporting period as China has entered a period of frequent and localised lockdowns in various cities.

Administrative expenses comprising of staff salary, professional fees, R&D, depreciation, and other operating expenses, increased from \$10.3 million in FY2021 to \$11.5 million in FY2022. In line with the picked up of business activities, the administrative expenses has increased back to normal as majority of the subsidiaries were back to business as usual.

Finance costs

Finance costs decreased from \$0.8 million in FY2021 to \$0.5 million in FY2022 mainly attributable to interest suspension on other financial liabilities (refer to Note 12).

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(b) Statements of financial position

Current assets

The Group's current assets comprise the following items:-

	As at 31 December 2022 (Unaudited) \$'000	As at 31 December 2021 (Audited) \$'000
Trade receivables and contract assets	37,103	37,584
- trade receivables	20,575	18,186
- contract assets	16,528	19,398
Other receivables, deposits and prepayments	7,225	7,030
- other receivables	1,091	1,545
- deposits	965	1,119
- prepayments	188	365
- advances to suppliers	3,668	2,752
- others	1,313	1,249
Trade and other receivables	44,328	44,614
Inventories	3,544	4,541
Income tax recoverable	537	358
Cash and bank balances	19,828	23,433
Total	68,237	72,946

Trade and other receivables

Trade receivables and contract assets decreased from \$37.6 million as at 31 December 2021 to \$37.1 million as at 31 December 2022 is mainly due to the slower construction progress in China.

The increase in other receivables is mainly due to advances to suppliers for construction of water treatment plant in Vietnam.

Inventories

There is a decrease in inventories from \$4.5 million as at 31 December 2021 to \$3.5 million as at 31 December 2022. It is mainly due to stock in transit recorded in subsidiary in China in FY2021.

Income tax recoverable

The increase is mainly due to an increase in income tax recoverable in certain subsidiaries in Malaysia.

Non-current assets

Our non-current assets comprise of property, plant and equipment, rights-of-use assets, intangible assets, deferred tax assets and other receivables.

Property, plant and equipment

The decrease in property, plant and equipment from \$5.6 million as at 31 December 2021 to \$5.0 million as at 31 December 2022 is mainly due to depreciation expenses incurred during the year.

Right-of-use assets

The Group's right-of-use assets are the long-term leases of office space, warehouse, and staff hostel. The decrease is mainly due to depreciation expenses and lease modifications.

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Intangible assets		
	As at 31 December 2022 (Unaudited)	As at 31 December 2021 (Audited)
	\$'000	\$'000
Intangible assets		
- Goodwill on acquisition	905	905
- Service concession asset	10,476	1,386
- Land use rights	388	422
- Software	28	-
	11,797	2,713

Service concession asset refers to development and construction costs of the Ba Lai Project recognised in accordance with SFRS(I) INT 12 Service Concession Agreement. The Ba Lai Project is the first concession project under Darco Infraco Vietnam Water Pte. Ltd. ("DIVW"), which the Company own 51%. The remaining 49% is owned by InfraCo VietAqua Pte. Ltd ("InfraCo"). DIVW was incorporated to undertake the development, implementation, financing, construction and operation of a portfolio of water supply projects in Vietnam. The significant increase in service concession assets is mainly due to major construction work carried out in year 2022. The Ba Lai project is expected to be in commercial operation in year 2023.

Deferred tax assets

The decrease in deferred tax assets is mainly due to a decrease in deferred tax assets arising from allowance for impairment loss in contract assets in a subsidiary in China.

Other receivables and refundable deposits

The decrease in other receivables and refundable deposits is mainly due to repayments of refundable deposits received during FY2022.

Current and Non-current liabilities

Trade and other payables

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

	As at 31 December 2022 (Unaudited)	As at 31 December 2021 (Audited)
	\$'000	\$'000
Trade payables	19,972	20,010
Contract liabilities	15,265	14,746
Other payables and accruals	3,530	3,162
Total	38,767	37,918

No significant fluctuation in trade and other payables if compared to prior year.

Increase in contract liabilities from \$14.7 million in FY2021 to \$15.3 million in FY2022 mainly due to higher advance billing raised for project in Malaysia subsidiaries.

Borrowings

Total borrowings decreased from \$4.9 million as at 31 December 2021 to \$3.6 million as at 31 December 2022 mainly due to repayment of loan during the year.

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Other financial liabilities

The Group has an obligation to repurchase shares in a subsidiary, DIVW from the Non-Controlling Interests ("NCI"), Infracore, as a result of the put option granted to the NCI. This obligation has been recognized as other financial liabilities. The increase in other financial liabilities is due to additional investment of \$678,000 (US\$490,000) from the NCI during the third quarter of FY2022.

Lease liabilities

The decrease in lease liabilities is mainly due to repayments made during the year.

(c) **Statement of cash flows**

	As at 31 December 2022 (Unaudited) \$'000	As at 31 December 2021 (Audited) \$'000
Cash flows (used in)/ from operating activities	(2,546)	4,702
Cash flows used in investing activities	(487)	(433)
Cash flows from financing activities	2,107	940
Net (decrease) / increase in cash and cash equivalents	(926)	5,209

The group cash position was \$19.8 million as at 31 December 2022, compared to \$23.4 million as at 31 December 2021.

Cash used in operating activities in FY2022 was mainly due to cash outflow to fund construction projects in Vietnam.

Cash used in investing activities in FY2022 was mainly used in purchase of plant & equipment as well as placement of fixed deposit in Malaysia entities.

Cash generated from financing activities in FY2022 was mainly due to the VGF Grant received from NCI to support Ba Lai project in Vietnam partially offset by repayment of borrowings.

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

The financial results are in line with the outlook commentary made in 1H2022 results announcement.

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

There are encouraging signs of market recovery as Covid-19 control measures were eased in Singapore, Malaysia, and Vietnam since the second half of 2022 in line with most of the world's move towards a policy of "living with the virus" and treating Covid-19 as an endemic and not a pandemic disease.

On 27 December 2022, China announced the gradual lifting of its Covid-19 control measures by scrapping quarantine requirement for overseas arrivals from 8 January 2023. As the China market forms a significant portion of the Company's business, the change in China's Covid-19 control policy if gradually implemented in 2023 would be positive for the Group.

Intense market competition, rising cost of raw materials and components, and competition in recruiting and retaining manpower in a tight labour market are challenges faced by the Group in the next 12 months. In such a business environment the Group's margins are expected to be under pressure over the next operating period and in the next twelve months.

Construction activity at the Group's build-operate-own (BOO) drinking water project in Ba Lai, Vietnam, is progressing satisfactorily, and the project is expected to be in commercial operation in year 2023.

The fundamentals of the Group's business of providing water and waste solutions remains strong due to economic growth, rapid urbanisation, and the favourable demographics of South-East Asia and China.

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

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

No IPT general mandate has been obtained by the Group from the shareholders.

There were no interested person transactions of \$100,000 and above entered into in FY2022.

5. Use of proceeds

Pursuant to the share placements to Sofos, RS and WZ, which were completed on 8 February 2018, 21 March 2018 and 23 March 2018 respectively, the Company received net proceeds from the issuance of new shares of approximately \$20,732,000, after deducting share issue expenses.

The utilisation of the share placement proceeds as at the date of this announcement is as follows:

	Engineering contracts and business expansion	Funding new projects, investments in environmental relation infrastructure projects and other investments	Working Capital	Total Funds received/ used
	\$	\$	\$	\$
Funds received				
Sofos Placement	-	630,000	270,000	900,000
RS Placement	-	1,470,000	630,000	2,100,000
WZ Placement	5,397,600	12,594,400	-	17,992,000
Share issue expenses	(59,100)	(181,900)	(19,000)	(260,000)
	5,338,500	14,512,500	881,000	20,732,000
Funds used				
Infrastructure projects	-	(9,347,236)	-	(9,347,236)
Engineering, Procurement and Construction ("EPC") business expansion and funding of new projects in China and Malaysia	(4,338,500)	(1,165,264)	-	(5,503,764)
Business expansion and funding of new projects – Pneumatic Waste Conveyance System	(1,000,000)	(4,000,000)	-	(5,000,000)
Working capital				
- Payment of staff salary	-	-	(863,000)	(863,000)
- Professional fees	-	-	(18,000)	(18,000)
Total	(5,338,500)	(14,512,500)	(881,000)	(20,732,000)
Net Balances	-	-	-	-

The above utilisation is in accordance with the intended use of proceeds of the Shares Placements as stated in the announcement dated 13 November 2018 and 22 February 2019.

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

The Company confirms that there is no person occupying any managerial positions in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company

- 7. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

BY ORDER OF THE BOARD

Zhang Zhenpeng
Executive Director and CEO
28 February 2023