



BETTER 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 2023

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					Change %
		Unaudited 6 months 31-Dec-23 \$'000	Unaudited 6 months 31-Dec-22 \$'000	Change %	Unaudited 12 months 31-Dec-23 \$'000	Audited 12 months 31-Dec-22 \$'000	
Revenue	3, 4	31,535	46,755	(32.6)	70,247	77,705	(9.6)
Cost of sales		(27,906)	(38,431)	(27.4)	(60,672)	(64,877)	(6.5)
Gross Profit		3,629	8,324	(56.4)	9,575	12,828	(25.4)
Other income	5	98	1,318	(92.6)	509	1,519	(66.5)
Distribution expenses		(267)	(289)	(7.6)	(894)	(648)	38.0
Administrative expenses		(5,931)	(6,789)	(12.6)	(10,711)	(11,500)	(6.9)
Impairment loss on financial assets		(3,537)	(623)	467.7	(3,537)	(623)	467.7
Finance costs	6	(550)	(348)	58.0	(984)	(465)	111.6
(Loss)/Profit before income tax	7	(6,558)	1,593	n.m.	(6,042)	1,111	n.m.
Income tax credit/(expense)	9	62	(242)	(125.6)	52	(240)	(121.7)
(Loss)/Profit for the financial period/year, net of tax		(6,496)	1,351	n.m.	(5,990)	871	n.m.
(Loss)/Profit attributable to:							
Equity holders of the Company		(5,467)	1,117	n.m.	(5,419)	813	n.m.
Non-controlling interests		(1,029)	234	n.m.	(571)	58	n.m.
		(6,496)	1,351	n.m.	(5,990)	871	n.m.
Other comprehensive loss:							
<u>Items that may be reclassified to profit and loss subsequently</u>							
Currency translation differences arising from consolidation		(467)	(942)	(50.4)	(1,124)	(984)	14.2
Exchange differences on monetary items forming part of net investment in foreign operation		(296)	-	n.m.	(296)	-	n.m.
Other comprehensive loss for the financial period/year		(763)	(942)	(19.0)	(1,420)	(984)	44.3
Total comprehensive (loss)/income for the financial period/year		(7,259)	409	n.m.	(7,410)	(113)	n.m.
Total comprehensive (loss)/income attributable to:							
Equity holders of the Company		(6,061)	124	n.m.	(6,668)	(166)	n.m.
Non-controlling interests		(1,198)	285	n.m.	(742)	53	n.m.
		(7,259)	409	n.m.	(7,410)	(113)	n.m.
Earnings per share for (loss)/profit for the period /year attributable to the owners of the Company during the year							
Basic (in cent)		(5.83)	1.19		(5.78)	0.87	
Diluted (in cent)		(5.83)	1.19		(5.78)	0.87	

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
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	5,036	4,994	24	18
Right-of-use assets		667	496	28	70
Intangible assets		15,295	11,797	-	-
Investment in subsidiaries		-	-	19,636	19,855
Deferred tax assets		836	868	-	-
Other receivables and refundable deposits		1	578	-	573
		<u>21,835</u>	<u>18,733</u>	<u>19,688</u>	<u>20,516</u>
Current assets					
Inventories		2,407	3,544	-	-
Trade and other receivables		36,934	44,328	6,387	6,757
Income tax recoverable		217	537	-	-
Cash and bank balances		12,842	19,828	335	1,351
Total current assets		<u>52,400</u>	<u>68,237</u>	<u>6,722</u>	<u>8,108</u>
Total assets		<u>74,235</u>	<u>86,970</u>	<u>26,410</u>	<u>28,624</u>
LIABILITIES					
Current liabilities					
Trade and other payables		30,946	38,767	2,905	2,307
Borrowings	11	3,007	2,866	-	-
Lease liabilities		381	232	29	42
Other financial liabilities	12	3,399	3,460	-	-
Income tax payable		11	335	-	-
Total current liabilities		<u>37,744</u>	<u>45,660</u>	<u>2,934</u>	<u>2,349</u>
Non-current liabilities					
Borrowings	11	2,865	765	-	-
Other payable	13	3,691	3,355	-	-
Lease liabilities		325	173	-	29
Deferred tax liabilities		22	19	-	-
Total non-current liabilities		<u>6,903</u>	<u>4,312</u>	<u>-</u>	<u>29</u>
Total liabilities		<u>44,647</u>	<u>49,972</u>	<u>2,934</u>	<u>2,378</u>
Net assets		<u>29,588</u>	<u>36,998</u>	<u>23,476</u>	<u>26,246</u>

B. Condensed statements of financial position (Continued)

	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31/12/2023	31/12/2022	31/12/2023	31/12/2022
		\$'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		(5,301)	(4,052)	-	-
Accumulated losses		(43,494)	(38,075)	(53,290)	(50,520)
		<u>27,971</u>	<u>34,639</u>	<u>23,476</u>	<u>26,246</u>
Non-controlling interests		1,617	2,359	-	-
Total equity		<u>29,588</u>	<u>36,998</u>	<u>23,476</u>	<u>26,246</u>

Darco Water Technologies Limited (Incorporated in Singapore)
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C. Condensed consolidated statement of cash flows

	Note	Full year ended 31 December	
		Unaudited 31/12/2023 \$'000	Audited 31/12/2022 \$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(6,042)	1,111
Adjustments for:			
Amortisation of intangible assets		174	9
Depreciation of property, plant and equipment		424	438
Depreciation of right-of-use assets		313	335
Gain on disposal of property, plant and equipment		(1)	(2)
Write back of payables		(281)	-
Reversal of provision for slow moving inventories		(29)	-
Impairment loss on financial assets		3,537	623
Inventories written off		-	13
Finance costs		984	465
Interest income		(102)	(75)
Exchange differences		(39)	366
Operating (loss)/profit before working capital changes		(1,062)	3,283
Inventories		1,055	960
Contract assets/(liabilities)		(4,782)	3,370
Trade and other receivables		2,679	(5,036)
Trade and other payables		(1,463)	1,856
Withdrawn of pledged fixed deposits and bank balances		581	1,897
Intangible assets-Service Concession Assets		(4,167)	(8,961)
Cash used in operations		(7,159)	(2,631)
Income taxes refunded/(paid)		22	(232)
Net cash used in operating activities		(7,137)	(2,863)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(568)	(226)
Proceeds from disposal of property, plant and equipment		1	12
Purchase of intangible asset		(13)	(30)
Interest received		102	75
Net cash used in investing activities		(478)	(169)

C. Condensed consolidated statement of cash flows (Continued)

	Note	Full year ended 31 December	
		Unaudited 31/12/2023 \$'000	Audited 31/12/2022 \$'000
Cash flows from financing activities			
Subscription of shares by the non-controlling interests		-	677
Proceeds from other payable	13	-	3,355
Proceeds from borrowings		4,289	2,026
Repayment of borrowings		(1,897)	(3,453)
Repayment of lease liabilities		(322)	(334)
Interest paid		(262)	(165)
Net cash from financing activities		1,808	2,106
Net decrease in cash and cash equivalents		(5,807)	(926)
Cash and cash equivalents at the beginning of financial year		16,978	18,710
Effect of exchange rate changes on cash and cash equivalents		(270)	(806)
Cash and cash equivalents at the end of financial year		10,901	16,978

	Full year ended 31 Dec	
	Unaudited 2023 \$'000	Audited 2022 \$'000
Cash and cash equivalents comprise the following: -		
Cash and bank balances as per statements of financial position	12,842	19,828
Bank balances pledged	(165)	(783)
Fixed deposits with tenure more than 3 months pledged	(626)	(649)
Bank overdraft	(1,150)	(1,418)
Cash and cash equivalents as per consolidated cash flows	10,901	16,978

For the purpose of the consolidated cash flows, the Group's acquisition of property, plant and equipment during the financial year comprises:

	Unaudited 2023 \$'000	Audited 2022 \$'000
Total additions to property, plant and equipment (Note 10)	701	226
Acquisition of property, plant and equipment by way of finance lease	(133)	-
Purchase of property, plant and equipment per statement of cash flows	568	226

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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 1.1.2023	76,766	(4,052)	(38,075)	34,639	2,359	36,998
Loss for financial year	-	-	(5,419)	(5,419)	(571)	(5,990)
Other comprehensive loss for the financial year, net of tax						
- Exchange differences on monetary items forming part of net investment in foreign operation	-	(296)	-	(296)	-	(296)
- Currency translation differences arising from consolidation	-	(953)	-	(953)	(171)	(1,124)
Total comprehensive loss for the financial year	-	(1,249)	(5,419)	(6,668)	(742)	(7,410)
Balance as at 31.12.2023	76,766	(5,301)	(43,494)	27,971	1,617	29,588

	<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 the financial year	-	-	813	813	58	871
Other comprehensive income/(loss) for the financial year, net of tax						
- Currency translation differences arising from consolidation	-	(979)	-	(979)	(5)	(984)
Total comprehensive loss for the financial year	-	(979)	813	(166)	53	(113)
Contribution by and distribution to owner						
Capital injection by Non-Controlling Interest ("NCI")	-	-	-	-	677	677
Recognition of other financial liabilities	-	-	-	-	(677)	(677)
Total contribution by and distribution to owners	-	-	-	-	-	-
Balance as at 31.12.2022	76,766	(4,052)	(38,075)	34,639	2,359	36,998

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 wastewater 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 2023 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 2022.

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 ("S") which is the Company's functional currency, and all values are recorded to nearest thousand (S'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 2023, 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 2023.

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 2022.

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 Engineering Projects 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 2023 are \$14,885,000 and \$9,449,000 (2022: \$16,528,000 and \$15,265,000), 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 \$1,667,000 (2022: \$1,147,000).

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.

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

3. Segment and revenue information

For management purposes, the Group is organised into business units based on its products and services. During the year, the management decided to rename Engineered Environmental Systems (“EE Systems”) segment as Engineering Projects (“Projects”) segment and to integrate the Trading segment with Water Management Services segment as they share similar economic characteristics to better reflect the Group’s business. The Group now has two operating and reportable segments – Engineering Projects (“Projects”) and Operation and Maintenance Services (“O&M Services”). The principal activities of the Group’s operating segments are summarised as follows:

- (i) Projects – Contract to design, fabricate, assemble, install and commission engineered water systems for industrial application; engineered vacuum solution and service concession revenue.
- (ii) O&M Services – Services and maintains water and wastewater treatment plants, water supply as well as 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 2023 and 2022 is as follows:

31 December 2023	Projects	O&M Services	Eliminations	Total
	\$'000	\$'000		
Revenue				
Sales to external customers	58,024	12,223	-	70,247
Inter-segment sales	-	-	-	-
Total	58,024	12,223	-	70,247
Segment profit	7,673	1,902	-	9,575
Other information:				
Additions to property, plant and equipment	37	606	-	643
Additions to right of use assets	419	80	-	499
Additions to intangible assets	4,180	-	-	4,180
Amortisation of intangible assets	(174)	-	-	(174)
Depreciation of property, plant and equipment	(208)	(199)	-	(407)
Depreciation of right-of-use assets	(181)	(87)	-	(268)
Finance costs	(280)	(69)	91	(258)
Legal and other professional fees	(161)	(45)	-	(206)
Provision for impairment loss on financial assets	(2,340)	(218)	-	(2,558)
Interest income	80	18	-	98

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

3. Segment and revenue information (Cont'd)

31 December 2022	Projects	O&M Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
Sales to external customers	62,421	15,284	-	77,705
Inter-segment sales	-	-	-	-
Total	62,421	15,284	-	77,705
Segment profit	10,745	2,083	-	12,828
Other information:				
Additions to property, plant and equipment	106	-	-	106
Additions to right of use assets	7	-	-	7
Additions to intangible assets	8,991	-	-	8,991
(Provision for)/Reversal of impairment loss on financial assets, net	(721)	98	-	(623)
Amortisation of intangible assets	(9)	-	-	(9)
Depreciation of property, plant and equipment	(319)	(25)	-	(344)
Depreciation of right-of-use assets	(58)	(36)	-	(94)
Finance costs	(198)	(60)	97	(161)
Legal and professional fee	(99)	(59)	-	(158)
Interest income	45	26	-	71
Ex-gratia payment	(1,000)	-	-	(1,000)

Reconciliation

(i) Segment profits

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

	31 December 2023 \$'000	31 December 2022 \$'000
Segment profit from the reportable segments	9,575	12,828
Other income	509	1,519
Distribution expenses	(894)	(648)
Administrative expenses	(10,711)	(11,500)
Impairment loss on financial assets	(3,537)	(623)
Finance costs	(984)	(465)
(Loss)/Profit before income tax	(6,042)	1,111

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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		
	Projects	O&M Services	Total
	\$'000	\$'000	\$'000
31 December 2023			
Geographical markets			
PRC	30,469	-	30,469
Malaysia	11,529	11,380	22,909
Singapore	11,851	263	12,114
Vietnam	4,175	580	4,755
	58,024	12,223	70,247
Timing of revenue recognition			
At a point of time	-	10,355	10,355
Over time	58,024	1,868	59,892
	58,024	12,223	70,247
31 December 2022			
Geographical markets			
PRC	22,586	-	22,586
Malaysia	20,158	13,814	33,972
Singapore	10,708	427	11,135
Vietnam	8,969	1,043	10,012
	62,421	15,284	77,705
Timing of revenue recognition			
At a point of time	-	13,161	13,161
Over time	62,421	2,123	64,544
	62,421	15,284	77,705

A breakdown of sales:

	2023	2022
	\$'000	\$'000
Sales reported for the first half of the year	38,712	30,950
Profit/(Loss) after tax before non-controlling interest reported for the first half year	506	(480)
Sales reported for the second half of the year	31,535	46,755
(Loss)/Profit after tax before non-controlling interest reported for the second half year	(6,496)	1,351

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5. Other income

	Group Financial Year Ended		Change %
	Unaudited	Audited	
	31 December 2023 \$'000	31 December 2022 \$'000	
Gain on disposal of property, plant and equipment	1	2	(50.0)
Gain on foreign exchange, net	-	244	n.m.
Government grants:			
- Others	80	138	(42.0)
Interest income	102	75	36.0
Unwinding discount on instalment payment	-	29	n.m.
Ex- gratia payment from a shareholder	-	1,000	n.m.
Miscellaneous income	16	31	(48.4)
Write back of other payables	281	-	n.m.
Reversal on allowance for slow moving inventories	29	-	n.m.
	509	1,519	(66.5)

6. Finance costs

	Group Financial Year Ended		Change %
	Unaudited	Audited	
	31 December 2023 \$'000	31 December 2022 \$'000	
Interest expenses on:			
- Other financial liabilities (amount owing to non-controlling interests)	577	300	92.3
- Borrowings	209	124	68.5
- Lease liabilities	24	20	20.0
- Unwinding effect of discounting provisions	145	-	n.m.
- Trust receipts	29	21	38.1
	984	465	111.6

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7. (Loss) / Profit before income tax

	Group Financial Year Ended		Change %
	Unaudited	Audited	
	31 December 2023 \$'000	31 December 2022 \$'000	
Amortisation of intangible assets	174	9	n.m.
Auditors' remuneration paid / payable to:			
- auditor of the Company	197	213	(7.5)
- other auditors	152	154	(1.3)
Direct material costs included in cost of sales	41,381	32,317	28.0
Sub-contractor costs	6,459	7,291	(11.4)
Depreciation of property, plant and equipment	424	438	(3.2)
Depreciation of right-of-use assets	313	335	(6.6)
Legal and other professional fees	599	1,178	(49.)
Leases expenses not included in lease liabilities- short term leases	157	119	31.9
Personnel expenses	12,668	11,520	10.0
Inventories written off	-	13	n.m.
Research and development fees	810	1,246	(35.0)
Loss on foreign exchange, net	12	-	n.m.

8. Related party transactions

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

9. Income tax (credit)/expense

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 (credit)/expense for the financial year were:

	Group	
	31 December 2023 \$'000	31 December 2022 \$'000
	Current tax	
- Current year income tax expense	88	320
- Over provision in the previous financial year	(143)	(100)
	(55)	220
Deferred tax		
- Current year	3	13
- Under provision in previous financial year	-	7
	3	20
	(52)	240

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10. Property, plant and equipment

During the year, the Group acquired assets amounting to \$701,000 (2022: \$226,000).

11. Borrowings

Amount repayable in one year or less, or on demand

As at 31 Dec 2023		As at 31 Dec 2022	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
3,007	-	2,866	-

Amount repayable after one year

As at 31 Dec 2023		As at 31 Dec 2022	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
2,865	-	765	-

Details of any collateral

As at 31 December 2023 and 31 December 2022, the secured borrowings are secured by corporate guarantees by the Company, pledged of assets and shares of a subsidiary, 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 26 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 \$3,697,000 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.

A revised SHA has been signed on 27 June 2022 with the following revised terms:

- (i) the put and call option is exercisable any time from 12 months from the date of commercial operation date of Ba Lai Project;
- (ii) annualised yield of 12% compounded daily (inclusive of a 12-months suspension from 22 March 2020 to 22 March 2021); and
- (iii) to waive the non-compliance under the SHA and extend the timelines for the performance of certain general conditions subsequent under the SHA.

Ba Lai project has commenced its commercial operation on 1 July 2023. As at 31 December 2023, the NCI has invested US\$2,751,000 equivalent to approximately \$3,399,000 (2022: US\$2,751,000 equivalent to approximately \$3,460,000) 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 Other payable

Other payable refers to Viability Grant Fund (“VGF Grant”) which was approved in May 2021, provided by Private Infrastructure Development Group (an innovative infrastructure development and finance organisation funded by six governments and the International Finance Corporation) to finance construction and construction related activities in the Ba Lai Project. The VGF Grant of US\$2,700,000 is made available to the Company via a Shareholder Loan from its NCI, InfraCo. During the financial year, an amount of US\$200,000 (FY2022: US\$2,500,000) has been drawdown. The VGF Grant is interest-free and repayable on demand at any time upon meeting certain conditions after reaching the second anniversary of Commercial Operation (“COD”) of Ba Lai Project, Ba Lai project has commenced its commercial operation on 1 July 2023. The VGF Grant will be automatically converted from a Shareholder Loan into a capital grant upon occurrence of any one of the following events:

- (a) Upon the NCI exiting from the Ba Lai Project; or
- (b) After 60 months following achievement of COD.

14. Share capital

	Group and Company			
	31 December 2023		31 December 2022	
	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 2023 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 2023 and 31 December 2022.

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 2023 and 31 December 2022:

(i) Financial instruments by category

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost:				
- Trade receivables	18,589	20,575	-	-
- Other receivables	1,979	3,212	6,348	7,299
- Contract assets	14,885	16,528	-	-
- Cash and bank balances	12,842	19,828	335	1,351
	48,295	60,143	6,683	8,650
Financial liabilities at amortised cost				
	34,857	33,535	2,875	2,357

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).

At the 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 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 would need to conserve cash for the working capital and investment purpose.

18. Net asset value

	Group		Company	
	Unaudited 31 December 2023 Cents	Audited 31 December 2022 Cents	Unaudited 31 December 2023 Cents	Audited 31 December 2022 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.	31.53	39.43	25.02	27.97
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 2023 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 31/12/2023 \$'000	Audited 31/12/2022 \$'000	Change %
Engineering Projects ("Projects")	58,024	62,421	(7.0)
Operation and Maintenance Services ("O&M Services")	12,223	15,284	(20.0)
	<u>70,247</u>	<u>77,705</u>	(9.6)

Revenue of the Group decreased from \$77.7 million in FY2022 to \$70.2 million in FY2023.

Revenue from the Projects segment decreased from \$62.4 million in FY2022 to \$58.0 million in FY2023 mainly due to a decrease in service concession revenue in Vietnam as well as a decrease of projects secured in Malaysia subsidiaries as a result of intense competition.

Revenue from the O&M Services segment is mainly from the Malaysian subsidiaries. O&M Services consist of sales of chemical, consumables and spare parts, providing services to industrial customers and water supply. Revenue from O&M Services decreased from \$15.3 million in FY2022 to \$12.2 million in FY2023 mainly due to strong competition faced by subsidiaries in Malaysia.

During the year, the Group's gross profit ("GP") margin decreased from 16.5% in FY2022 to 13.6% in FY2023 mainly due to intense competition and cost inflation in Malaysia entities.

Other income

The Group's other income decreased from \$1.5 million in FY2022 to \$0.5 million in FY2023. This is mainly due to \$1.0 million ex-gratia payment from a shareholder in FY2022. The decrease is partially offset by a write-back of payables.

Operating expenses

The Group's marketing and distribution expenses increased from \$0.6 million in FY2022 to \$0.9 million in FY2023 due to increase in travelling costs during the current reporting period as travel restriction has been lifted.

Administrative expenses comprising of staff salary, professional fees, R&D, depreciation, and other operating expenses, decreased from \$11.5 million in FY2022 to \$10.7 million in FY2023 in line with the slow down of business activities.

Impairment loss on financial assets

Impairment loss on financial assets increased from \$0.6 million in FY2022 to \$3.5 million mainly due to impairment made on contract assets, trade and other receivables.

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Finance costs

Finance costs increased from \$0.5 million in FY2022 to \$1.0 million in FY2023 mainly attributable to an increase in bank borrowings and interest on other financial liabilities.

(b) Statements of financial position

Current assets

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

	As at 31 December 2023 (Unaudited) \$'000	As at 31 December 2022 (Audited) \$'000
Trade receivables and contract assets	33,474	37,103
- trade receivables	18,589	20,575
- contract assets	14,885	16,528
Other receivables, deposits and prepayments	3,460	7,225
- other receivables	1,205	804
- deposits	758	1,259
- prepayments	160	265
- advances to suppliers	1,126	3,591
- others	211	1,306
Trade and other receivables	36,934	44,328
Inventories	2,407	3,544
Income tax recoverable	217	537
Cash and bank balances	12,842	19,828
Total	52,400	68,237

Trade and other receivables

Contract assets, trade and other receivables decreased from \$44.3 million as at 31 December 2022 to \$36.9 million as at 31 December 2023 mainly due to decrease in revenue generated from Projects and O&M Services in FY2023 and impairment made during the year.

Inventories

There is a decrease in inventories from \$3.5 million as at 31 December 2022 to \$2.4 million as at 31 December 2023. It is mainly due to a decrease in stock in transit recorded in a subsidiary during the reporting period.

Income tax recoverable

The decrease is mainly due to a decrease 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

Property, plant and equipment remains relatively stable. The increase is mainly due to addition partially offset by 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, motor vehicles, and staff hostel. The increase is mainly due to additions partially offset by depreciation expenses.

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Intangible assets

	As at 31 December 2023 (Unaudited)	As at 31 December 2022 (Audited)
	\$'000	\$'000
Intangible assets		
- Goodwill on acquisition	905	905
- Service concession asset	14,356	10,863
- Software	34	29
	15,295	11,797

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 increase in service concession assets is mainly due to construction work carried out in FY2023. Ba Lai project has commenced its commercial operation on 1 July 2023.

Deferred tax assets

Deferred tax assets remain stable.

Other receivables and refundable deposits- Non-current

The decrease in other receivables and refundable deposits is mainly due to impairment made on refundable deposits during the reporting period.

Current and Non-current liabilities

Trade and other payables

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

	As at 31 December 2023 (Unaudited)	As at 31 December 2022 (Audited)
	\$'000	\$'000
Trade payables	16,839	19,972
Contract liabilities	9,449	15,265
Other payables and accruals	4,658	3,530
Total	30,946	38,767

The decrease in trade payables from \$20.0 million to \$16.8 million was mainly due to decrease of cost incurred in Projects and O&M Services as a result of reduction in business activities in FY2023.

The decrease in contract liabilities from \$15.3 million in FY2022 to \$9.4 million in FY2023 was mainly due to lower advance billing raised for project in China subsidiaries.

The increase in other payables and accruals was mainly due to an increase in accrued interest on other financial liabilities of \$0.6 million and higher accrued operating expenses as at 31 December 2023.

Borrowings

Total borrowings increased from \$3.6 million as at 31 December 2022 to \$5.9 million as at 31 December 2023. The net increase was mainly due to an increase in borrowings in a subsidiary in Vietnam amounting to \$2.2 million, partially offset by repayments 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 recognised as other financial liabilities.

Lease liabilities

The increase in lease liabilities is mainly due to additions partially offset by repayments made during the year.

(c) **Statement of cash flows**

	As at 31 December 2023 (Unaudited) \$'000	As at 31 December 2022 (Audited) \$'000
Cash flows used in operating activities	(7,137)	(2,863)
Cash flows used in investing activities	(478)	(169)
Cash flows from financing activities	1,808	2,106
Net decrease in cash and cash equivalents	(5,807)	(926)

The group cash position was \$12.8 million as at 31 December 2023, compared to \$19.8 million as at 31 December 2022.

Cash used in operating activities in FY2023 was mainly due to cash outflow to fund construction projects in Vietnam.

Cash used in investing activities in FY2023 was mainly used in purchase of property, plant & equipment.

Cash from financing activities in FY2023 was mainly due to net proceeds from borrowings.

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

Not applicable.

4. 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.

Global economic uncertainties, geopolitical tensions, trade protectionism trends, inflationary pressures on raw materials and the high cost of finance continue to linger on from 2023, thereby threatening the momentum of global economic recovery.

The World Bank in its January 2024 “Global Economic Prospects” Report projects growth in the Asia-Pacific economies to slow to 4.5% in 2024 from an estimated 5.1% in 2023, mostly owing to the slower than expected recovery of economic activity in China. However, in the rest of the region, growth is projected to edge up from an estimated 4.4% in 2023 to 4.7% in 2024, underpinned by solid domestic demand in economies with a large population such as Vietnam, Indonesia, and The Philippines.

China’s slower than expected economic recovery has impacted the funding of private and state-owned infrastructure development projects. As a result, the Group’s water treatment and water supply solutions business will continue to face intense competition in the near term.

In Vietnam, the Group’s Ba Lai water treatment and supply project has commenced operations on 1 July 2023. The 50-year lease Design, Build, Own & Operate (“DBOO”) project represents the Group’s maiden presence in the Vietnam market and showcases its technical capabilities for water treatment and clean piped water supply. Vietnam’s National Rural Clean Water Supply and Sanitation Strategy aims to supply 65% of the rural population with piped water by 2030 and 100% by 2045.

While the broader long-term outlook for the water and waste solutions industry is positive, the operating environment remains challenging. Nevertheless, the fundamentals of the Group’s business remain sound. The treatment of wastewater, the supply of potable water and the industrial applications for water are a function of economic growth, population growth and urbanisation. The Group continues to explore potential opportunities for long-term sustainable growth.

- 5. 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 FY2023.

- 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
27 February 2024