

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

**MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND  
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2018**

The Board of Directors (the “**Directors**”) of the Company refers to its full year financial results announcement for the financial year ended 31 December 2018 made on 1 March 2019 via the SGXNET (“**Preliminary Unaudited Results 2018**”).

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company wishes to announce that subsequent to the release of the Preliminary Unaudited Results 2018, the external auditor has proposed certain reclassifications and adjustment which the management of the Company has adopted accordingly.

The details and explanation of the material variances between the audited financial statements and the Preliminary Unaudited Results 2018 are shown below:

	<b>Audited financial statements 2018 (S\$'000)</b>	<b>Preliminary Unaudited Results 2018 (S\$'000)</b>	<b>Variance (S\$'000)</b>	<b>Note</b>
Revenue	83,832	83,956	(124)	A
Cost of sales	<u>(69,874)</u>	<u>(69,865)</u>	(9)	A
<b>Gross profit</b>	13,958	14,091		
Other income	679	627	52	B
Distribution expenses	(2,147)	(2,147)	-	
Administrative expenses	(13,117)	(13,382)	265	B
Provision of impairment loss on financial assets	(506)	(616)	110	B
Finance costs	<u>(585)</u>	<u>(585)</u>	-	
<b>Loss before income tax</b>	(1,718)	(2,012)		
Income tax expense	<u>(92)</u>	<u>(245)</u>	153	C
<b>Loss for the financial year</b>	<u><b>(1,810)</b></u>	<u><b>(2,257)</b></u>	447	
<b>Loss attributable to:</b>				
Equity holders of the Company	(1,441)	(1,874)		
Non-controlling interests	<u>(369)</u>	<u>(383)</u>		
	<u><b>(1,810)</b></u>	<u><b>(2,257)</b></u>		

Explanation of material variances:

Notes:

(A): Reduce in revenue and increase in cost recognised in the subsidiaries in Malaysia

	Revenue S'\$000	Cost of sales S'\$000
As per preliminary unaudited results	(83,956)	69,865
Reversal of revenue recognised and recognition of additional cost incurred	124	9
As per Audited financial statements	<u>(83,832)</u>	<u>69,874</u>

(B): Other income and administrative expenses

	Other income S'\$000	Administrative expenses S'\$000	Provision of impairment loss on financial assets S'\$000
As per preliminary unaudited results	(627)	13,382	616
Additional impairment on inventories		148	
Reduce in the provision for bonus and other administrative expenses	-	(448)	-
Reduce in impairment loss on financial assets	-	-	(110)
Additional interest income recognised	(8)	-	-
Gain on foreign exchange - reclass	(35)	35	-
Miscellaneous income	(9)	-	-
As per Audited financial statements	<u>(679)</u>	<u>13,117</u>	<u>506</u>

(C): Changes in the provision of income tax and deferred tax

	Income tax expenses S'\$000
As per preliminary unaudited results	245
Changes in the provision of income tax and deferred tax	(153)
As per Audited financial statements	<u>92</u>

	Group Audited financial statements 2018 (S\$'000)	Preliminary Unaudited Results 2018 (S\$'000)	Variance  (S\$'000)	Note
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant equipment	5,176	5,563	(387)	(i)
Intangible assets	5,666	5,666	-	
Deferred tax assets	114	97	17	(ii)
Other receivable	613	613	-	
	<b>11,569</b>	<b>11,939</b>	<b>(370)</b>	
<b>Current assets</b>				
Inventories	2,997	3,091	(94)	(iii)
Trade and other receivables	68,971	68,923	48	(iv)
Income tax recoverable	365	186	179	(ii)
Cash and cash equivalents	27,925	27,606	319	(v)
	<b>100,258</b>	<b>99,806</b>	<b>452</b>	
<b>Total assets</b>	<b>111,827</b>	<b>111,745</b>	<b>82</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	47,443	48,298	(855)	(vi)
Borrowings	8,284	7,427	857	(viii)
Income tax payable	450	479	(29)	(ii)
Total current liabilities	<b>56,177</b>	<b>56,204</b>	<b>(27)</b>	
<b>Non-current liabilities</b>				
Borrowings	917	917	-	
Deferred tax liabilities	581	638	(57)	(ii)
Total non-current liabilities	<b>1,498</b>	<b>1,555</b>	<b>(57)</b>	
<b>Total liabilities</b>	<b>57,675</b>	<b>57,759</b>	<b>(84)</b>	
<b>Net assets</b>	<b>54,152</b>	<b>53,986</b>	<b>166</b>	

Explanation of material variances:

Notes:

(i) Property, plant and equipment

	S\$'000
Balance as per Preliminary Unaudited Results	5,563
Reclassification of deposit paid to trade and other receivables	(346)
Reclassified to inventories	(41)
Balance as per Audited financial statements	<u>5,176</u>

(ii) Income tax and deferred tax

	<b>Deferre d tax assets</b> S\$'000	<b>Income tax recoverable</b> S\$'000	<b>Income tax payable</b> S\$'000	<b>Deferred tax liabilities</b> S\$'000
Balance as per Preliminary Unaudited Results	97	186	(479)	(638)
Changes in the provision of income tax and deferred tax	75	50	29	(1)
Reclassification	(58)	129	-	58
Balance as per Audited financial statements	<u>114</u>	<u>365</u>	<u>(450)</u>	<u>(581)</u>

(iii) Inventories

	S\$'000
Balance as per Preliminary Unaudited Results	3,091
Additional impairment on inventories	(148)
Reclassified from Property, plant and equipment	41
Translation difference	13
Balance as per Audited financial statements	<u>2,997</u>

(iv) Trade and other receivables

	<b>Current</b> S\$'000
Balance as per Preliminary Unaudited Results	68,923
Additional impairment on financial assets	(162)
Reclassified from property, plant and equipment	346
Reclassified to income tax recoverable	(129)
Translation difference	(7)
Balance as per Audited financial statements	<u>68,971</u>

(v) Cash and bank balances

	S\$'000
Balance as per Preliminary Unaudited Results	27,606
Reclassified to borrowing	311
Additional interest income recognised	8
Balance as per Audited financial statements	<u>27,925</u>

(vi) Trade and other payables

	<b>Current</b> S\$'000
Balance as per Preliminary Unaudited Results	(48,298)
Reduction in provision for bonus and accrued expenses	448
Reversal of revenue recognised and recognition of additional cost incurred	(133)
Reclassified to borrowings	546
Translation difference	(6)
Balance as per Audited financial statements	<u>(47,443)</u>

(vii) Borrowings

	<b>Current</b> S\$'000
Balance as per Preliminary Unaudited Results	(7,427)
Reclassified from trade and other payables	(546)
Reclassified from cash and bank balances	(311)
Balance as per Audited financial statements	<u><u>(8,284)</u></u>

**By Order of the Board**

Thye Kim Meng  
Managing Director and Chief Executive Officer  
09 April 2019