

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

Unaudited Financial Statements For the Full Year Ended 31 December 2014

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

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

| | Group | | Change % |
|---|-----------------------------|-----------------------------|---------------------|
| | Financial Year Ended | Financial Year Ended | |
| | Unaudited | Restated | |
| | 31/12/2014 | 31/12/2013 | |
| | (S\$'000) | (S\$'000) | |
| Revenue | 31,915 | 30,538 | 4.5 |
| Cost of sales | (23,334) | (25,073) | -6.9 |
| Gross profit | 8,581 | 5,465 | 57.0 |
| Other income | 2,003 | 2,288 | -12.5 |
| Distribution expenses | (586) | (734) | -20.2 |
| Administrative expenses | (8,779) | (13,505) | -35.0 |
| Finance expenses | (394) | (581) | -32.2 |
| Profit/ (Loss) before income tax | 825 | (7,067) | n.m |
| Income tax expense | (452) | (1,769) | -74.4 |
| Profit/ (Loss) for the year | 373 | (8,836) | n.m |
| Profit/ (Loss) attributable to: | | | |
| Equity holders of the Company | 143 | (8,844) | n.m |
| Non-controlling interests | 230 | 8 | |
| Profit/ (Loss) for the year | 373 | (8,836) | n.m |

Note:

n.m- not meaningful

1(a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FULL YEAR ENDED 31 DECEMBER 2014.

| | Group Financial Year Ended | | change % |
|--|---|--|---------------------|
| | Unaudited 31/12/2014 (S\$'000) | Restated 31/12/2013 (S\$'000) | |
| Profit/ (Loss) for the year | 373 | (8,836) | n.m |
| Other comprehensive income/ (loss): <i>Items that may be reclassified subsequently to profit and loss:</i> | | | |
| Currency translation differences arising from consolidation | 125 | (655) | n.m |
| Currency translation differences realised through disposal of subsidiaries | - | 287 | n.m |
| Other comprehensive profit/ (loss) for the year | <u>125</u> | <u>(368)</u> | n.m |
| Total comprehensive profit/ (loss) for the year | <u>498</u> | <u>(9,204)</u> | n.m |
| Profit/ (Loss) attributable to: | | | |
| Equity holders of the Company | 143 | (8,844) | n.m |
| Non-controlling interests | <u>230</u> | <u>8</u> | |
| Profit/ (Loss) for the year | <u>373</u> | <u>(8,836)</u> | |
| Total comprehensive profit/ (loss) attributable to: | | | |
| Equity holders of the Company | 312 | (9,231) | n.m |
| Non-controlling interests | <u>186</u> | <u>27</u> | 588.9 |
| Total comprehensive profit/ (loss) for the year | <u>498</u> | <u>(9,204)</u> | n.m |

Note:

n.m- not meaningful

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

| Included in other income are: | Group Financial Year Ended | | change % |
|---|--------------------------------------|-------------------------------------|-------------|
| | Unaudited 31/12/2014 (S\$'000) | Restated 31/12/2013 (S\$'000) | |
| Insurance claim | - | 29 | n.m |
| Interest income | 179 | 88 | 103.4 |
| Rental income | - | 12 | n.m |
| Government grant | 44 | 21 | 109.5 |
| Gain from settlement agreement ⁽¹⁾ | 1,076 | - | n.m |
| Gain on disposal of disposal group classified as held-for-sale | - | 503 | n.m |
| Gain on disposal of land use rights | - | 316 | n.m |
| Gain on disposal of property, plant and Equipment | 38 | 1,013 | -96.2 |
| Gain on foreign exchange | 334 | 187 | 78.6 |
| Write back of long outstanding trade Payables | 38 | 40 | -5.0 |
| Miscellaneous income | 294 | 79 | 270.9 |
| | <u>2,003</u> | <u>2,288</u> | |

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

| Finance expenses: | Group Financial Year Ended | | Change % |
|---------------------------|--------------------------------------|-------------------------------------|-------------|
| | Unaudited 31/12/2014 (S\$'000) | Restated 31/12/2013 (S\$'000) | |
| Interest expense on:- | | | |
| Bank borrowings | 386 | 575 | -32.9 |
| Finance lease liabilities | 8 | 6 | 33.3 |
| | <u>394</u> | <u>581</u> | |

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

| Included in the profit/(loss) before income tax are: | Group | | |
|--|--------------------------------------|-------------------------------------|----------|
| | Financial Year Ended | | change % |
| | Unaudited 31/12/2014 (S\$'000) | Restated 31/12/2013 (S\$'000) | |
| Amortisation of land use rights | - | 5 | n.m |
| Employee compensation | 10,663 | 11,750 | -9.3 |
| Depreciation of property, plant and equipment | 639 | 1,287 | -50.3 |
| Impairment loss of property, plant equipment | 13 | 1,591 | -99.2 |
| Loss on disposal of subsidiaries | - | 699 | -100.0 |
| Rental expense for operating leases | 512 | 405 | 26.4 |
| Allowance for impairment of receivables | 25 | 287 | -91.3 |
| Inventories written down | 29 | 271 | -89.3 |
| Property, plant and equipment written off | 5 | 18 | -72.2 |
| Writeback of allowance for receivables | (85) | (98) | -13.3 |
| Tax penalties ⁽¹⁾ | - | 1,768 | n.m |

⁽¹⁾The Group provided additional tax penalties and income tax provision amounting to S\$1.77 million and S\$1.80 million respectively relating to the additional tax assessment raised by Taiwan tax authority in FY2013. The additional income tax provision of S\$1.80 million was accounted for in the tax expense in FY2013.

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

| | Group | | Company | |
|---|-------------------------|------------------------|-------------------------|-----------------------|
| | Unaudited 31/12/2014 | Restated 31/12/2013 | Unaudited 31/12/2014 | Audited 31/12/2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 9,347 | 6,206 ⁽¹⁾ | 378 | 406 |
| Available-for-sale financial Assets | - | 3,555 ⁽¹⁾ | - | - |
| Trade and other Receivables | 12,695 | 13,040 | 644 | 186 |
| Inventories | 954 | 1,139 | - | - |
| Total current assets | <u>22,996</u> | <u>23,940</u> | <u>1,022</u> | <u>592</u> |
| Non-current assets | | | | |
| Investment in subsidiaries | - | - | 4,418 | 4,418 |
| Property, plant equipment | 4,423 | 4,600 | - | - |
| Intangible assets | 905 | 905 | - | - |
| Deferred income tax Assets | 136 | 110 | - | - |
| Total non-current Assets | <u>5,464</u> | <u>5,615</u> | <u>4,418</u> | <u>4,418</u> |
| Total assets | <u>28,460</u> | <u>29,555</u> | <u>5,440</u> | <u>5,010</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowings | 1,673 | 2,945 | - | - |
| Trade and other payables | 13,799 | 14,563 ⁽²⁾ | 4,548 | 5,901 |
| Income tax payable | 1,750 | 1,716 ⁽²⁾ | - | - |
| Total current liabilities | <u>17,222</u> | <u>19,224</u> | <u>4,548</u> | <u>5,901</u> |
| Non-current liabilities | | | | |
| Deferred income tax liabilities | 169 | 53 | - | - |
| Other payables | - | - | 1,722 | - |
| Borrowings | 1,488 | 1,195 | - | - |
| Total non-current liabilities | <u>1,657</u> | <u>1,248</u> | <u>1,722</u> | <u>-</u> |
| Total liabilities | <u>18,879</u> | <u>20,472</u> | <u>6,270</u> | <u>5,901</u> |
| Net assets/ (liabilities) | <u>9,581</u> | <u>9,083</u> | <u>(830)</u> | <u>(891)</u> |
| EQUITY | | | | |
| Capital and reserves attributable to equity holders of the Company | | | | |
| Share capital | 36,985 | 36,985 | 36,985 | 36,985 |
| Other reserves | (4,346) | (4,515) | - | - |
| Accumulated losses | (25,546) | (25,689) | (37,815) | (37,876) |
| | 7,093 | 6,781 | (830) | (891) |
| Non-controlling interests | 2,488 | 2,302 | - | - |
| Total equity / (deficit) | <u>9,581</u> | <u>9,083</u> | <u>(830)</u> | <u>(891)</u> |

Note:

⁽¹⁾Reclassification of cash and cash equivalent amounted to S\$3.6 million to available-fore-sale financial assets pursuant to the announcement on 27 November 2014.

⁽²⁾The Group provided additional tax penalties and income tax provision amounting to S\$1.77 million and S\$1.80 million respectively relating to the additional tax assessment raised by Taiwan tax authority in FY2013.

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

Amount repayable in one year or less, or on demand

| As at 31 Dec 2014 | | As at 31 Dec 2013 | |
|--------------------------|----------------------|--------------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 921 | 752 | 1,516 | 1,429 |

Amount repayable after one year

| As at 31 Dec 2014 | | As at 31 Dec 2013 | |
|--------------------------|----------------------|--------------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 1,067 | 421 | 1,195 | - |

Details of any collateral

As at 31 December 2014 and 31 December 2013, the secured borrowings are secured by corporate guarantees and freehold land and properties of subsidiaries.

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

| | Group | |
|---|--|-------------------------------------|
| | Financial Year Ended Unaudited 31/12/2014 (S\$'000) | Restated 31/12/2013 (S\$'000) |
| Profit/ (Loss) before income tax | 825 | (7,067) |
| Adjustment for:- | | |
| Amortisation of intangible assets | - | 5 |
| Depreciation of property, plant and equipment | 639 | 1,287 |
| Gain on disposal of disposal group classified as held-for-sale | - | (503) |
| Gain on disposal of land use rights | - | (316) |
| Gain on disposal of property, plant and equipment | (38) | (1,013) |
| Loss on disposal of subsidiaries | - | 699 |
| Property, plant and equipment written off | 5 | 18 |
| Impairment loss of property, plant and equipment | 13 | 1,591 |
| Provision for tax | - | 1,768 |
| Gain from settlement agreement | (1,076) | - |
| Interest expense | 394 | 581 |
| Interest income | (179) | (88) |
| Operating cashflow before working capital | 583 | (3,038) |
| Changes in working capital | | |
| Inventories | 185 | 477 |
| Construction work-in-progress | (2,553) | 2,531 |
| Trade and other receivables | 1,299 | 1,383 |
| Trade and other payables | (305) | (1,506) |
| Cash used in operations | (791) | (153) |
| Income tax paid | (132) | (102) |
| Net cash used in operating activities | (923) | (255) |
| Cash flows from investing activities | | |
| Placement in available-for-sale financial assets, in aggregate | (8,244) | (3,555) ⁽¹⁾ |
| Proceeds from available-for-sale financial assets in aggregate | 11,748 | - |
| Acquisition of non controlling interest | - | (21) |
| Additions to property, plant and equipment | (353) | (2,260) |
| Net of cash arising from settlement agreement | 722 | - |
| Interest received | 179 | 88 |
| Proceeds from disposal of disposal group classified as held for sales | - | 12,927 |
| Disposal of subsidiary, net of cash disposed | - | (1,723) |
| Proceeds from disposal of land use rights | 118 | 588 |
| Proceeds from disposal of property, plant and Equipment | - | 2,076 |
| Net cash from investing activities | 4,170 | 8,120 |
| Cash flows from/(used in) financing activities | | |
| Decrease in pledged short-term deposits | 1,220 | 1,339 |
| Loan and advances from shareholders | 1,210 | - |
| Proceeds from borrowings | 659 | 1,469 |
| Repayment of borrowings | (693) | (12,061) |
| Interest paid | (394) | (581) |
| Repayment of finance lease liabilities | (63) | (283) |
| Net cash from / (used in) financing activities | 1,939 | (10,117) |
| Net increase/ (decrease) in cash and cash equivalents | 5,186 | (2,252) |
| Cash and cash equivalents at beginning of the year | 3,322 | 5,729 |
| Effect of currency translation differences | 56 | (155) |
| Cash and cash equivalents at end of year | 8,564 | 3,322 |

⁽¹⁾The Group provided additional tax penalties and income tax provision amounting to S\$1.77 million and S\$1.80 million respectively relating to the additional tax assessment raised by Taiwan tax authority in FY2013.

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

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

| Company | Share Capital (S\$'000) | Accumulated Loss (S\$'000) | Total (S\$'000) |
|---|--|---|----------------------------|
| Balance at 1 Jan 2013 | 36,985 | (38,196) | (1,211) |
| Total comprehensive income for the year | - | 320 | 320 |
| Balance at 31 Dec 2013 | 36,985 | (37,876) | (891) |

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

There were no changes to the issued and paid-up share capital of the Company since the end of the previous period reported on, up to 31 December 2014.

| | Company | |
|----------------------------|-----------------------------|-----------------------------|
| | As at 31/12/2014 | As at 31/12/2013 |
| Number of ordinary shares | <u>276,684,812</u> | <u>276,684,812</u> |
| Issued and paid up capital | S\$'000 36,985 | S\$'000 36,985 |

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

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

As at 31 December 2014 and 31 December 2013, the issued ordinary shares of the Company was 276,684,812.

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

There were no sales, transfer, disposal , cancellation and /or use of treasury shares during the year ended 31 December 2014.

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

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

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

Not applicable.

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

Save as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting year as per the most recent audited financial statements for the financial year ended 31 December 2013.

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

The Group has adopted the new and revised Singapore Financial Reporting Standards ("FRSs") that are mandatory for financial years beginning on and after 1 Jan 2014, 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 retained earnings of the Group as at 1 Jan 2014.

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

| | Group | |
|--|---------------------------------|--------------------------------|
| | Unaudited 31/12/2014 | Restated 31/12/2013 |
| Earnings per ordinary shares of the group for the current year reported on and the corresponding period of the immediate preceding financial year:- | <u>Cents</u> | <u>Cents</u> |
| Basic and diluted loss per shares | 0.05 | (3.20) |
| Weighted average number of ordinary shares Outstanding for basic earnings/(loss) per shares | 276,684,812 | 276,684,812 |

There were no potentially dilutive ordinary shares in issue as at 31 December 2014 and 31 December 2013.

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

| | Group | | Company | |
|---|---------------------------------|--------------------------------|---------------------------------|-------------------------------|
| | Unaudited 31/12/2014 | Restated 31/12/2013 | Unaudited 31/12/2014 | Audited 31/12/2013 |
| | Cents | Cents | Cents | Cents |
| Net asset value (for issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial year. | 3.46 | 3.28 | (0.30) | (0.32) |
| Number of ordinary shares | <u>276,684,812</u> | <u>276,684,812</u> | <u>276,684,812</u> | <u>276,684,812</u> |

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

Revenue and Gross Profit

The Group's overall revenue increased by approximately S\$1.4 million or 4.5% from S\$30.5 million in FY2013 to S\$31.9 million in FY2014.

In general, revenue for the Engineered Environmental Systems ("EE Systems") decreased by approximately S\$1.2 million or 8.2% from S\$14.6 million in FY2013 to S\$13.4 million in FY2014. The decrease was mainly due to disposal of Taiwan subsidiary in FY2013, which contributed S\$3.9 million up to the date of disposal and the decrease in revenue from municipal project of S\$0.7 million in FY2014 due to completion in Nonglin municipal project. Engineering project revenue from Singapore subsidiary also decreased by S\$0.3 million due to lesser projects and decrease in EE Systems revenue from other subsidiaries of S\$0.2 million.

The decrease was offset by the increase in EE Systems revenue in Malaysia. Darco Malaysia's EE Systems revenue increased by approximately S\$3.9 million 88.6% from S\$4.4 million in FY2013 to S\$8.3 million in FY2014 due to more projects secured in last quarter of FY2013 and higher project revenue recognised in FY2014.

Revenue from Water Management Services ("WM Services") increased by approximately S\$2.9 million or 35.8% from S\$8.1 million in FY2013 to S\$11.0 million in FY2014. The increase was mainly due to higher revenue generated from medical waste treatment by S\$0.7 million or 53.9% S\$1.3 million in FY2013 to S\$2.0 million in FY2014. Grober Industrial Services Sdn. Bhd (new subsidiary in Penang arising from a settlement agreement for a lawsuit with certain former employees in April 2014) also contributed another S\$1.0 million revenue from WM Services.

Sales from the trading of chemical, spare parts and others decreased by approximately S\$0.3 million or 3.8% from S\$7.9 million in FY2013 to S\$7.6 million in FY2014. The decrease was mainly due to loss of trading income from the disposal of a Taiwan subsidiary in FY2013, decrease in trading revenue in DIW and offset with the increase in the revenue from Grober in FY2014.

GP margin improved from 17.9% in FY2013 to 26.9% in FY2014. Higher gross profits margin mainly due to improvement of profitability in Darco Penang (DIW) as a results of manpower reduction; lower depreciation charged to plant and machinery; better costs control in term of projects and contribution of higher margin by a new subsidiary, Grober Industries Sdn Bhd in April 2014 to the Malaysia business segment and completion of loss making project in Taiwan in 2013.

Other income

Other income decreased by approximately S\$0.3 million or 13.0% from S\$2.3 million in FY2013 to S\$2.0 million in FY2014. The decrease was mainly due to the one off gain in FY2013 on the disposal group held for sales of S\$0.5 million, gain on disposal of land use rights of S\$0.3 million in FY2013 and decrease in the gain on disposal of property, plant and equipment of S\$1.0 million.

The decrease is offset by the increase in interest income of S\$0.1 million, one off settlement gain of S\$1.1 million relates to the lawsuit in Penang against former employees on 8 April 2014. As part of the settlement agreement, the Group recorded a gain of approximately S\$1.1 million (RM2.7 million). The Group also has a gain on foreign exchange of S\$0.2 million and increase in other miscellaneous income of S\$0.2 million.

Operating expenses

The Group's distribution expenses decreased by approximately S\$0.1 million or 20.2% from S\$0.7 million in FY2013 to S\$0.6 million in FY2014 mainly due to the overall reduction in staff costs.

The Group's administrative expenses decreased by approximately S\$4.7 million or 35.0% from S\$13.5 million in FY2013 to S\$8.8 million in FY2014. The decrease was mainly due to the reduction in staff costs of approximately S\$2.1 million as a result of reduction in manpower and related expenses in Taiwan. The disposal of Subsidiary in Taiwan, DNT, in last quarter of FY2013 and completion of municipal project in FY2014 also contributed to the overall decline in staff costs in FY2014. In addition, the Group also made provision of approximately S\$1.7 million relating to the tax penalties imposed by the Taiwan tax authorities in FY2013.

Finance costs decreased from S\$0.6 million in FY2013 to S\$0.4 million in FY2014. The decrease in finance costs is in line with the decrease in bank borrowings.

Tax expenses decreased by approximately S\$1.3 million or 74.4% from S\$1.8 million in FY 2013 to S\$0.5 million in FY2014. The decrease in tax expenses is due to the provision made for the additional income tax from the Taiwan subsidiary, Darco Engineering (Taiwan) Co. Ltd ("DET") in FY2013 by the tax authority in Taiwan as mentioned above.

Balance sheet

Current assets

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

| | As at 31 December 2014 (Unaudited) S\$'000 | As at 31 December 2013 (Restated) S\$'000 |
|---|---|--|
| Cash and cash equivalents | 9,347 | 6,206 |
| Contract work in progress | 1,027 | 1,105 |
| Available-for-sale financial assets | - | 3,555 |
| Trade receivables | 5,192 | 6,629 |
| Other receivables, deposits and prepayments | 6,476 | 5,306 |
| Inventories | 954 | 1,139 |
| Total | 22,996 | 23,940 |

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

- a) Trade receivables decreased from S\$6.6 million as at 31 December 2013 to S\$5.2 million as at 31 December 2014 mainly due to the reduction in billings for municipal project in Taiwan and projects in Malaysia as most of the projects are close to completion as at 31 December 2014.
- b) Other receivables, deposits and prepayments increased from S\$5.3 million in FY2013 to S\$6.5 million in FY2014. The increase was mainly due to security deposit paid in

advance by bank for municipal project in Taiwan for S\$1.6 million. The security deposit is recoverable at the end of the warranty period.

- c) Available-for-sale financial assets placed in FY2013 of S\$3.6 million was fully redeemed as at 31 December 2014.
- d) Inventories decreased slightly due to additional provision for inventories written down made during the year.

Non-current assets

Our non-current assets comprised mainly intangible assets, property, plant and equipment and deferred income tax assets.

The decrease of non-current assets was mainly due to decrease in property, plant and equipment. Depreciation charge for the year was S\$0.6 million partially offset by the additions of Property, plant and equipment of S\$0.4 million.

Current liabilities

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

| | As at 31 December 2014 (UNAUDITED) S\$'000 | As at 31 December 2013 (RESTATED) S\$'000 |
|-----------------------------|---|--|
| Trade payables | 3,750 | 4,264 |
| Other payables and accruals | 8,460 | 6,191 |
| Contract work in progress | 1,589 | 4,108 |
| Income tax payable | 1,750 | 1,716 |
| Borrowings | 1,673 | 2,945 |
| Total | 17,222 | 19,224 |

- a) Trade payables decreased from S\$4.3 million in FY2013 to S\$3.8 million in FY2014 due mainly to slightly faster repayment to suppliers during the year which is in line with the lower cost of sales for the year.
- b) Other payables and accruals increased from S\$6.2 million in FY2013 to S\$8.5 million in FY2014. The increase was mainly because of the security deposit amounting to approximately S\$1.6 million paid in advance by the bank in relation to the municipal service in Taiwan.
- c) Contract work in progress decreased from S\$4.1 million in FY2013 to S\$1.6 million in FY2014 as most of the projects are close to completion.
- d) Bank borrowings decreased from S\$2.9 million in FY2013 to S\$1.6 million in FY2014. The decrease was mainly due to the repayment of bank loan during the year.

Non-current liabilities

Non-current liabilities comprised deferred income tax liabilities and bank borrowings. The increase of non-current liabilities was mainly due to the conversion for certain current overdraft into non-current term loan during the year.

Equity increased from S\$9.1 million as at 31 December 2013 to S\$9.6 million in 31 December 2014 as a result of profit accrued for the FY2014.

Cash flow statement for the year ended

| | 31 Dec 2014 | restated |
|---|--------------------|--------------------|
| | S\$'000 | 31 Dec 2013 |
| | | S\$'000 |
| Net cash used in operating activities | (923) | (255) |
| Cash flows from investing activities | 4,170 | 8,120 |
| Cash flows from/(used in) financing activities | 1,939 | (10,117) |
| Net increase/ (decrease) in cash and cash equivalents | <u>5,186</u> | <u>(2,252)</u> |

The group cash and bank balances were S\$9.3 million as at 31 December 2014 compared to S\$6.2 million as at 31 December 2013.

In FY2014, operating cash flow before changes in working capital was S\$0.6 million after adding non cash items of S\$0.2 million. Net cash used in operating activities was S\$0.9 million mainly due to cash outflow from construction contracts of S\$2.5 million and trade and other payables of S\$0.3 million. This was offset by the cash inflow from trade and other receivables of S\$1.3 million, inventory of S\$0.2 million and net income tax paid of S\$0.1 million.

Cash generated from investing activities in FY2014 was S\$4.2 million mainly due to the maturity of short term investment amounting to S\$11.7 million, net cash from settlement agreement of S\$0.7 million and interest received of S\$0.2 million. This was partially offset by the placement of short term deposits of S\$8.2 million and additions on property, plant and equipment of S\$0.3 million.

Cash from the financing activities in FY2014 of S\$2.0 million was mainly due to S\$1.2 million loan and advances from shareholders during the year to support the Group's operations, the decrease in short-term deposits pledged of S\$1.2 million and offset by the interest paid on borrowing of S\$0.4 million.

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

The business activities of the Group remain broad-based and are in line with the statement made in the announcement of the full year results for FY2013.

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

The Group's core business remains in the electronic and semiconductor sector. Barring unforeseen circumstances, various Water Management Services that we render to the clients, year on year, are likely to continue contributing to our Sales Revenue in the next 12 months. On the Engineered Water Systems, there has been an increase in enquiries for new water projects as compared to previous years, although it remains uncertain whether all these projects will go ahead in the next 12 months or that the Company may be successful to secure them.

In the municipal sector, the Company shall try to bid for more of such jobs to generate better revenues. However, this is subject to the Company being able to continually improve its utilisable cash position internally, and its ability to secure more project-specific funding from various financial institutions. The Company has been also been on the lookout for Merger and Acquisition opportunities in the region.

The Company will update shareholders via SGXNET if and when there are any material developments on Merger and Acquisition opportunities.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Not applicable.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared or recommended for FY2014.

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

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

| | EE Systems \$'000 | WM Services \$'000 | Trading \$'000 | Unallocated \$'000 | Eliminations \$'000 | Total \$'000 |
|--|-------------------------|--------------------------|-------------------|-----------------------|------------------------|-----------------|
| Group | | | | | | |
| Revenue | | | | | | |
| Sales to external customers | 13,392 | 10,952 | 7,571 | - | - | 31,915 |
| Inter-segment sales | - | - | 24 | - | (24) | - |
| Total revenue | <u>13,392</u> | <u>10,952</u> | <u>7,595</u> | <u>-</u> | <u>(24)</u> | <u>31,915</u> |
| Segment profit | 3,255 | 3,356 | 1,970 | (7,362) | - | 1,219 |
| Finance expenses | | | | | | (394) |
| Profit before income tax | | | | | | 825 |
| Income tax expense | | | | | | (452) |
| Profit for the year | | | | | | <u>373</u> |
| Depreciation of property, plant and equipment | (137) | (260) | (194) | (48) | - | (639) |
| Impairment loss of property, plant and equipment | - | (13) | - | - | - | (13) |
| Interest income | 8 | 165 | 3 | 3 | - | 179 |
| Finance expenses | (7) | (144) | (52) | (191) | - | (394) |
| Gain on disposal of property, plant and equipment | - | 7 | 31 | - | - | 38 |
| Allowance for impairment of receivables | - | - | (25) | - | - | (25) |
| Assets | | | | | | |
| Segment assets | <u>5,359</u> | <u>15,266</u> | <u>5,763</u> | <u>17,225</u> | <u>(15,290)</u> | <u>28,323</u> |
| Liabilities | | | | | | |
| Segment liabilities | <u>2,481</u> | <u>5,517</u> | <u>1,849</u> | <u>25,195</u> | <u>(16,333)</u> | <u>18,709</u> |
| Other information: | | | | | | |
| Additions to property, plant and equipment | <u>19</u> | <u>117</u> | <u>260</u> | <u>123</u> | <u>-</u> | <u>519</u> |

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

The segment information for the reportable segments of continuing operations for the financial year ended 31 December 2013 is as follows:

| | EE Systems \$'000 | WM Services \$'000 | Trading \$'000 | Unallocated \$'000 | Eliminations \$'000 | Total \$'000 |
|--|-------------------------|--------------------------|-------------------|-----------------------|------------------------|-----------------|
| Group | | | | | | |
| Revenue | | | | | | |
| Sales to external customers | 14,553 | 8,105 | 7,880 | – | – | 30,538 |
| Inter-segment sales | – | – | 18 | – | (18) | – |
| Total revenue | <u>14,553</u> | <u>8,105</u> | <u>7,898</u> | <u>–</u> | <u>(18)</u> | <u>30,538</u> |
| Segment profit/(loss) | 3,101 | 1,077 | 1,287 | (11,951) | – | (6,486) |
| Finance expenses | | | | | | (581) |
| Loss before income tax | | | | | | <u>(7,067)</u> |
| Income tax expense | | | | | | <u>(1,769)</u> |
| Loss for the year | | | | | | <u>(8,836)</u> |
| Depreciation of property, plant and equipment | (693) | (289) | (222) | (83) | – | (1,287) |
| Amortisation of land use rights | – | – | (5) | – | – | (5) |
| Impairment loss of property, plant and equipment | (1,569) | (22) | – | – | – | (1,591) |
| Gain on disposal group classified as held for sales | – | – | – | 503 | – | 503 |
| Interest income | 3 | 3 | – | 82 | – | 88 |
| Finance expenses | – | – | (33) | (548) | – | (581) |
| Loss on disposal of a subsidiary | – | – | – | (699) | – | (699) |
| Gain on disposal of property, plant and equipment | – | – | 1,013 | – | – | 1,013 |
| Gain on disposal of land use rights | – | – | 316 | – | – | 316 |
| Allowance for impairment of receivables | 171 | 1 | 113 | 2 | – | 287 |
| Assets | | | | | | |
| Segment assets | <u>13,375</u> | <u>4,829</u> | <u>5,628</u> | <u>26,572</u> | <u>(21,513)</u> | <u>28,891</u> |
| Liabilities | | | | | | |
| Segment liabilities | <u>8,173</u> | <u>4,920</u> | <u>1,660</u> | <u>35,091</u> | <u>(29,427)</u> | <u>20,417</u> |
| Other information: | | | | | | |
| Additions to property, plant and equipment | <u>13</u> | <u>50</u> | <u>2,447</u> | <u>38</u> | <u>–</u> | <u>2,548</u> |

Geographical information

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

| | Sales for | | Non-current assets | |
|--------------------------------|-----------------------|---------------|--------------------|---------------|
| | continuing operations | | | |
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Taiwan | 4,422 | 9,097 | 2,006 | 2,186 |
| Malaysia | 22,692 | 16,032 | 2,221 | 2,302 |
| The People's Republic of China | 328 | 913 | 81 | 48 |
| Singapore | 4,182 | 4,213 | 1,015 | 962 |
| Other countries | 291 | 283 | 5 | 7 |
| | <u>31,915</u> | <u>30,538</u> | <u>5,328</u> | <u>5,505</u> |

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

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

Please refer to Paragraph 10 above for further details.

15. A breakdown of sales.

| | 31 Dec 2014 S\$'000 | 31 Dec 2013 S\$'000 | % Change |
|---|------------------------------------|------------------------------------|---------------------|
| Sales reported for first half of the year | 15,009 | 14,719 | 2.0 |
| Loss after tax and before deducting non-controlling interest | (630) | (2,792) | -77.4 |
| Sales reported for second half of the year | 16,906 | 15,819 | 6.9 |
| Operating profits/ (loss) after tax and before deducting non-controlling interest | 1,003 | (6,044) | nm |

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

No dividend has been recommended or declared for the year ended 31 December 2014 and 2013.

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

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

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

The loan and advances from shareholders, Mr Robert Stone ("Mr Stone") of S\$1.0 million and Mr Thye Kim Meng S\$0.2 million are still outstanding as at 31 December 2014. Mr Stone's loan bears interest of 3% p.a and is repayable within next 12 months. Interest accrued and payable to Mr Stone is amounting to S\$41,589. Advances from Thye Kim Meng is interest free and is repayable within the next 12 months.

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

| Name | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year position was held | Details of changes in duties and position held, if any, during the year |
|--------------|-----|---|---|---|
| Thye Kim Fah | 65 | Brother of Mr. Thye Kim Meng, Managing Director and Chief Executive Officer of Darco Water Technologies Limited | General Manager of Darco Water Systems Sdn. Bhd. ("DWSSB") responsible for overall management and operation of DWSSB, position held since January 1, 2000 | Nil |

| Name | Age | Family relationship with any director and/or substantial shareholder | Current position and duties, and the year position was held | Details of changes in duties and position held, if any, during the year |
|-------------|------------|--|---|--|
| Thye Ze Pin | 34 | Nephew of Mr. Thye Kim Meng, Managing Director and Chief Executive Officer of Darco Water Technologies Limited | Team Head, Project Management for Darco Water Technologies Limited; responsible for project management, position held since January 1, 2009 | Nil |

BY ORDER OF THE BOARD

**Thye Kim Meng
Chairman and CEO
27 February 2015**