

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
(Amounts in thousands of Singapore dollars (“\$’000”))

21. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES

On 27 July 2015, the Company announced that on the same date, they had entered into a sale and purchase agreement (“SPA”) with Chonlin Environmental Corporation Ltd (“CECL”), whereby the Company has agreed to sell the entire issued and paid up capital of the Company’s wholly owned subsidiary, Darco Engineering (Taiwan) Co., Ltd. (“DET”) for a consideration of NTD\$30 million (approximately \$1.32 million).

DET has 51% shareholding equity in Darco Puding Wastewater Management Co., Ltd. as detailed in Note 5 (collectively referred to as the “DET Disposal Group”).

Upon the fulfilments of conditions as stipulated in the SPA, the Company disposed its entire interest in DET and accordingly the Group has deconsolidated the DET Disposal Group from that date, which has resulted in a gain on disposal that amounting to approximately \$2.10 million, which is included in the “Loss from discontinued operation” line item.

- (a) The results from the DET Disposal Group from 1 January 2015 and up to the date of disposal are presented separately on the statement of profit and loss and other comprehensive income as discontinued operation as follows:

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

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21. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (a) The results from the DET Disposal Group from 1 January 2015 and up to the date of disposal are presented separately on the statement of comprehensive income as discontinued operation as follows (Continued):

- (i) *Other income comprises the following:*

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

* Amount less than \$1,000.

- (ii) This pertains to an allowance for impairment loss made on the guarantee deposits (Note 8) that was previously being placed with Taoyuan County Government under a build-operate-transfer contract after the court has denied DET Disposal Group's request for the return of the guarantee deposit on 16 July 2015.
- (b) The impact of the discontinued operation on the cash flows of the Group is as follows:

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

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

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21. DISCONTINUED OPERATION – DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Net liabilities of the DET Disposal Group as at the date on which control was lost were as follows:

	Disposal Group
	2015
	\$’000
Assets:	
Property, plant and equipment (Note 3)	–
Intangible asset (Note 4)	–
Deferred tax assets/(liabilities) (Note 6)	–
Cash and bank balances	491
Trade and other receivables	2,752
Income tax recoverable	*
Total assets	<u>3,243</u>
Liabilities:	
Trade and other payables	5,232
Borrowings	1,010
Total liabilities	<u>6,242</u>
Net liabilities derecognised	(2,999)
Less: Non-controlling interests	(87)
Net liabilities disposed of	<u>(3,086)</u>

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

	Disposal Group
	2015
	\$’000
Net liabilities disposed of (as above)	(3,086)
Reclassification of foreign currency translation reserves (Note 15)	2,308
	(778)
Gain on disposal of subsidiaries	2,095
Total cash proceeds from disposal	1,317
Less: Cash and bank balances disposed of in DET Disposal Group	(491)
Net cash inflow on disposal	<u>826</u>

* Amount less than \$1,000.