

Full Year Financial Statement And Dividend Announcement for the year ended 31 December 2007

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

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Set out below are the consolidated results for the year ended 31 December 2007.

**INCOME STATEMENT**

	Notes	Group		
		Year ended	Year ended	Change
		31-Dec-07	31-Dec-06	
		(S\$'000)	(S\$'000)	%
Revenue		87,559	68,905	27
Cost of sales		(66,828)	(51,862)	29
Gross profit		20,731	17,043	22
Financial income	1	994	787	26
Financial expenses	1	(6,478)	(2,038)	218
Distribution cost		(4,274)	(3,732)	15
Administrative expenses	Note 8	(9,077)	(8,532)	6
Other credits / (charges)	2	(4)	(253)	nm
Profit before tax		1,892	3,274	(42)
Income tax (expense)/credit		(1,361)	(1,192)	14
Profit for the year	3	531	2,082	(75)
Attributable to:				
Equity holders of the company		118	2,377	(95)
Minority interests		413	(295)	(240)
		531	2,082	(75)

Notes:

1) Included in financial income (expenses) are:

	Group		
	Year ended	Year ended	Change
	31-Dec-07	31-Dec-06	
	(S\$'000)	(S\$'000)	%
Interest Income	236	115	105
Miscellaneous income from subsidiaries	758	671	13
Foreign exchange adjustment (loss)/gain	673	830	(19)
Bad debts written off on trade receivables	0	(10)	(100)
Provision for impairment on trade receivables	(4,606)	(241)	1,811
Provision for impairment on other receivables	0	(843)	(100)
Interest expense	(2,545)	(1,775)	43
	(5,484)	(1,252)	338

Presented in the income statement as:

	994	787	26
Financial income			
Financial expense	(6,478)	(2,038)	218
Finance income and (expense) net	(5,484)	(1,252)	338

2) Other credits / (charges) are:

	Group		
	Year ended	Year ended	Change
	31-Dec-07	31-Dec-06	
	(S\$'000)	(S\$'000)	%
Gain/(Loss) on disposal of plant and equipment	(4)	(253)	nm

3) Included in profit after income tax are:

	Group		
	Year ended	Year ended	Change
	31-Dec-07	31-Dec-06	
	(S\$'000)	(S\$'000)	%
Depreciation	1,178	1,226	(4)
Directors' remuneration	1,048	811	29

nm-not meaningful

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

**BALANCE SHEET**

	Group		Company	
	S\$'000		S\$'000	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Property, plant and equipment	28,576	24,545	-	-
Investments in subsidiaries	-	-	7,376	7,376
Goodwill on consolidation	1,266	1,266	-	-
Long Term Trade Receivable	-	-	-	-
Total Non Current Assets	29,842	25,811	7,376	7,376
Current Assets				
Inventories	2,102	1,907	-	-
Contract work in progress	41,479	26,899	-	-
Trade receivables	17,166	17,595	996	60
Other receivables and prepayments	8,021	5,352	58,968	53,761
Cash and cash equivalents	25,521	29,905	360	3,183
Total current assets	94,289	81,658	60,324	57,004
Current Liabilities				

Trade payables & accrued liabilities	37,024	10,488	249	173
Contract work in progress	2,059	3,029	402	-
Other payables	2,353	5,602	2,958	2,896
Provision for taxation	527	854	-	-
Short term borrowing	20,110	22,506	17,020	12,768
Current portion of long term borrowings	5,511	2,208	2,778	2,208
Current portion of finance leases	323	446	-	-
<b>Total current liabilities</b>	<b>67,907</b>	<b>45,133</b>	<b>23,407</b>	<b>18,045</b>
<b>Net current assets</b>	<b>26,382</b>	<b>36,525</b>	<b>36,917</b>	<b>38,958</b>
Deferred Tax	209	157	-	-
Convertible Notes	2,000	-	2,000	-
Long term borrowings	13,083	19,263	12,499	16,195
Finance leases	33	356	-	-
Minority interests	3,529	3,158	-	-
	<b>37,370</b>	<b>39,401</b>	<b>29,794</b>	<b>30,140</b>
<b>Shareholders' Equity</b>	<b>37,370</b>	<b>39,401</b>	<b>29,794</b>	<b>30,140</b>

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

Amount repayable in one year or less, or on demand

As at 31/12/2007	
Secured	Unsecured
25,944,000	-

As at 31/12/2006	
Secured	Unsecured
25,160,000	-

Amount repayable after one year

As at 31/12/2007	
Secured	Unsecured
15,116,000	-

As at 31/12/2006	
Secured	Unsecured
19,619,000	-

Details of any collateral

**(a) Short term bank loans**

Borrowings are secured by short-term notes, bill payables and corporate guarantees from various Darco group entities.

**(b) Long term bank loans (secured)**

Borrowings are secured by corporate guarantees from various Darco group entities.

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

**CASH FLOW STATEMENT**

**Cash Flows from Operating Activities**

Net profit for the year  
Adjustments for :-  
Income tax expense  
Depreciation expense  
Loss on disposal of fixed assets  
Interest income  
Interest expense  
**Operating profit before changes in working capital**

**Changes in working capital:-**

Decrease in Inventories  
(Increase) in Contract Work In Progress  
Decrease in trade receivables  
Increase/(Decrease) in other receivables and prepayments  
(Decrease)/Increase in trade payables and accruals  
Increase/(Decrease) in other payables  
**Cash (used in)/generated from operations**

Interest received  
Interest paid  
Income taxes paid  
**Net Cash (used in)/from Operating Activities**

**Cash Flows from Investing Activities**

Cash restricted in use over 3 months  
Purchase of property, plant and equipment  
Disposal of property, plant and equipment  
**Net Cash used in Investing Activities**

**Cash Flows from Financing Activities**

(Repayment)/Increase of Short term borrowings  
Dividends Paid  
Increase of Convertible Notes  
(Repayment)/Increase of Term loan  
(Repayment)/Increase of Finance lease

**Net Cash generated from Financing Activities**

Net effect of exchange rate changes in consolidating foreign subsidiaries

Net (Decrease)/Increase in cash and cash equivalent  
Cash and cash equivalents at beginning of the year

Cash and cash equivalent at end of the year

Year Ended	
31-Dec-07	31-Dec-06
SS'000	SS'000
531	2,082
1,361	1,192
1,178	1,226
4	253
(236)	(115)
2,546	1,775
5,384	6,413
(195)	59
(15,550)	(10,453)
429	3,670
(2,669)	(1,250)
26,534	(2,382)
(3,291)	2,009
10,642	(1,934)
236	115
(2,545)	(1,775)
(1,635)	(619)
6,698	(4,213)
(3,377)	(573)
(6,460)	(2,192)
1,347	1,280
(8,490)	(1,485)
(2,396)	(196)
(1,845)	-
2,000	-
(2,878)	27,770
(446)	802
(5,565)	28,376
(405)	(694)
(7,762)	21,984
26,267	4,283
18,505	26,267

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**STATEMENT OF CHANGES IN EQUITY**

At 31 December 2007

	Share Capital (S\$'000)	Retained Earnings (S\$'000)	Exchange Reserves (S\$'000)	Total (S\$'000)	Minority Interest (S\$'000)	Total Equity (S\$'000)
Balance at 1 January 2007	27,062	13,899	(1,560)	39,401	3,158	42,559
Net profit for the year	-	118	-	118	413	531
Dividends Paid	-	(1,845)	-	(1,845)	-	(1,845)
Reduction of interest in subsidiary to minority interest	-	-	-	-	(42)	(42)
Currency translation difference	-	-	(304)	(304)	0	(304)
Balance at 31 December 2007	27,062	12,172	(1,864)	37,370	3,529	40,899

At 31 December 2006

	Share Capital (S\$'000)	Retained Earnings (S\$'000)	Exchange Reserves (S\$'000)	Total (S\$'000)	Minority Interest (S\$'000)	Total Equity (S\$'000)
Balance at 1 January 2006	27,062	11,522	(392)	38,192	2,774	40,966
Net profit for the year	-	2,377	-	2,377	(295)	2,082
Reduction of interest in subsidiary to minority interest	-	-	-	-	679	679
Currency translation difference	-	-	(1,168)	(1,168)	-	(1,168)
Balance at 31 December 2006	27,062	13,899	(1,560)	39,401	3,158	42,559

At 31 December 2007

	Share Capital (S\$'000)	Retained Earnings (S\$'000)	Total (S\$'000)
Balance at 1 January 2007	27,062	3,078	30,140
Net profit for the year	-	1,499	1,499
Dividends Paid (*)	-	(1,845)	(1,845)
Balance at 31 December 2007	27,062	2,732	29,794

At 31 December 2006

	Share Capital (S\$'000)	Retained Earnings (S\$'000)	Total (S\$'000)
Balance at 1 January 2006	27,062	1,829	28,891
Net profit for the year	-	1,249	1,249
Balance at 31 December 2006	27,062	3,078	30,140

\* This is the dividends paid in respect of dividend declared last year.

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 and warrants, conversion of other issues of equity securities, issue of shares or 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 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

Issued and fully paid ordinary shares of S\$0.05  
As at beginning of period

	Year ended 31-Dec-07 (S\$'000)	Year ended 31-Dec-06 (S\$'000)
Issued and fully paid ordinary shares of S\$0.05 As at beginning of period	9,223	9,223
Issued during the year As at end of period	-	-
	9,223	9,223

There are no outstanding convertible securities as at the end of the current or previous year.

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 auditors.

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

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2006 have been applied in the preparation for the financial statements for the financial year ended 31 December 2007 except that the Group had adopted new/revised Financial Reporting Standards (FRS) which came into effect on 1 January 2007.

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

There are no material changes on the Income Statement of the Group arising from the adoption of the new/revised FRSs.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding

period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	Year ended 31-Dec-07	Year ended 31-Dec-06
Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year:-		
a) Based on the weighted average number of ordinary shares on issue (cents)	0.06	1.29
b) On a fully diluted basis (cents)	0.06	1.29
Weighted average number of ordinary shares used to compute basic earnings per share	184,456,812	184,456,812
Effect of dilutive share options	-	-
Weighted average number of ordinary shares used to compute fully diluted earnings per share	184,456,812	184,456,812

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	As at 31-Dec-07	As at 31-Dec-06	As at 31-Dec-07	As at 31-Dec-06
Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the financial period	20.26	21.36	16.15	16.34

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 period reported on.

#### Revenue

Group revenue rose 27% to \$87.6 million in FY2007 as compared to FY2006. There was a 30.6% increase in revenue of Engineered Environmental Systems ("EE Systems") from \$54.7 million to \$71.4 million, of which the municipal sector contributed \$39.3 million or 44.9% of the total group revenue as compared to \$31.2 million or 45.3% in FY2006. This increase in municipal sector was mainly due to civil construction activity from Ker-Ya project in Taiwan. The Group's other main business activity, namely the Water Management Services ("WM Services") generated \$14.4 million in revenue; this represents an increase of \$3.1 million or 27%, compared to \$11.4 million in FY2006. This increase was mainly contributed by Deqing BOT project in China. Trading activities (Chemical, spare parts and others) decreased by \$1.2 million representing a 40.6% decrease as compared to FY2006, mostly from reduction of trade sales in Taiwan subsidiary.

The significant increase in revenue for EE Systems was largely contributed by Taiwan market. Taiwan recorded the highest revenue of \$43.5 million followed by Malaysia with \$22.3 million. Together, they accounted for 75.1% of Group's revenue in FY2007.

#### Profitability

With higher revenue, gross profit rose 21.6% to \$20.7 million in FY2007. Gross profit margin maintained fairly consistent i.e at 23.7% as compared to 24.7% in FY2006.

The Group's financial expenses increased by \$4.4 million to \$6.5 million in FY2007, this was due to full provision made for trade receivables, relating to sub-contracting works due from Hsin II based in Taiwan since 1Q FY2003. However the Company did purchase an export credit insurance for ECICS for this project. The Company institute legal proceeding at around June 2005. The trial date of this action is fixed between 21 to 25 April 2008.

The Group's selling and distribution expenses increased by \$0.5 million in FY2007, this was due to higher travelling costs by our sales and management team to pursue potential new customers in Middle East, Vietnam and India.

The Group's administrative expenses increased by \$0.5 million to \$9.1 million in FY2007. This was resulted from the borrowing costs incurred in connection with the syndicated loan facilities of US\$21 million and \$4 million which were secured in FY2006.

The overall effect is that the Group's pre-tax earnings declined to \$1.9 million in FY2007, from \$3.3 million in FY2006. Consequently, the net profit attributable to shareholders decreased by 95% to \$0.1 million as compared to \$2.4 million in FY2006.

#### Balance Sheet

Property, plant and equipment increased by \$4 million in FY2007 as compared to \$24.5 million in FY2006. This was due to partial completion of Qian Yuan BOT project.

Inventories increased \$0.2 million to \$2.1 million as at 31 Dec 2007 as inventories were used to support the higher EE Systems sales. Contract work-in-progress of \$41.5 million was due to a significant increase in projects in Taiwan and Indonesia. This revenue will be recognized in FY2008.

Trade receivables decreased by \$0.4 million compared to those as at 31 December 2006. This was largely contributed by payments received from projects completed in Taiwan and Malaysia.

Other receivables and prepayments increased by \$2.7 million as compared to those at 31 December 2006 mainly due to advance fee payment to financial institutions in connection with credit facilities and advance payments to suppliers.

Cash and cash equivalents were lower by \$4.4 million in FY2007 due to financing for the on-going municipal projects in Taiwan.

Trade payables and accrued liabilities increased by \$26.5 million compared to 31 December 2006. This was, in most part, due to payables to suppliers for equipment purchased for our municipal projects in Taiwan.

Short term borrowings decreased to \$20.1 million as at 31 December 2007. This was chiefly due to repayment made during the year.

Long term borrowings decreased to \$13.1 million as at 31 December 2007 as compared to \$19.3 million in 31 December 2006, due to repayment made during the year.

### Cash flow statement

There was a net cash outflow of \$1.8 million to fund operating and investing activities as a result of the substantial increase in projects in FY2007.

Financing activities generated negative cashflow of \$5.6 million in FY2007 mainly due to repayment made for term loan and revolving credit facility during the year.

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 FY2006

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 has recorded \$101 million orders for delivery for FY2008 since January 2008. The current market outlook for the industrial sector remain strong based on the record number of enquiries which the Group is attending to.

With the recent election success by the opposition party in Taiwan, the business outlook for our Taiwan subsidiaries is now looking very promising because of the expected improvement in political stability and likely improved diplomatic relationship between Taiwan and Mainland China.

The Group signed an MOU with Qatar government in September 2007 for the construction of water resource centres. Ongoing discussion is progressing well. We expect to incorporate a business joint venture in the next few months. The formation of business joint venture is likely to have an positive impact on revenue for the year, FY2008.

### 11. Dividend

#### a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

Yes

Name of Dividend	:	Final
Dividend Type	:	Cash
Dividend Rate	:	0.5 cent per ordinary share (tax exempt)

#### b) Corresponding Period of the Immediately Preceding Financial Year

No

#### c) Date payable

To be announced later.

#### d) Books closure date

To be announced later.

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

Not applicable

## PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

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 Group is currently organised into three operating divisions-EE Systems, WM Services and trading. These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

- EE Systems-Designs, fabricates, assembles, installs and commission engineered water systems ("EE Systems") for industrial application;
- WM Services-Services and maintains product water and waste systems ("WM Services"); and
- Trading-Trades and supplies chemicals, electrical controls and related instruments used in water treatment systems.

Engineered Environmental Systems sales comprise sales of Engineered Water Systems, Engineered Air Pollution Control Systems and Engineered Solid Waste Systems.

Segment information about the business is presented below:

<u>Group</u>	EE Systems	WM Services	Trading	Consolidated
	2007	2007	2007	2007
	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>				
External sales	71,426	14,442	1,691	87,559
<b>RESULTS</b>				
Segment results	1,138	691	63	1,892
Unallocated corporate expenses				
Profit before income tax	1,138	691	63	1,892
Income tax				(1,361)
Profit after income tax				531
Capital additions	5,269	1,066	125	6,460
Depreciation and amortisation	961	194	23	1,178
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets				
Unallocated corporate assets	61,254	2,175	3	63,432
Consolidated total assets				60,699
				124,131
<b>LIABILITIES</b>				
Segment liabilities	55,777	1,412	269	57,458
Unallocated corporate liabilities				25,774
Consolidated total liabilities				83,232

Group	EE Systems	WM Services	Trading	Consolidated
	2006	2006	2006	2006
	\$'000	\$'000	\$'000	\$'000
<b>REVENUE</b>				
External sales	54,686	11,370	2,849	68,905
<b>RESULTS</b>				
Segment results	915	2,330	29	3,274
Unallocated corporate expenses				
Profit before income tax	915	2,330	29	3,274
Income tax				(1,192)
Profit after income tax				2,082
Capital additions	1,739	362	91	2,192
Depreciation and amortisation	973	202	51	1,226
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets	46,699	2,200	870	49,769
Unallocated corporate assets				57,700
Consolidated total assets				107,469
<b>LIABILITIES</b>				
Segment liabilities	32,656	319	500	33,475
Unallocated corporate liabilities				31,435
Consolidated total liabilities				64,910

The group operates in three principal geographical areas, Singapore, Malaysia and Taiwan. The other geographical segments refer mainly to The People's Republic of China, The Philippines and Indonesia.

The following table provides an analysis of the group's sales by geographical market irrespective of the origin of the goods/services:-

By Geographical Market	Year ended	Year ended
	31-Dec-07	31-Dec-06
	(\$'000)	(\$'000)
Singapore	9,853	4,378
Malaysia	22,316	17,650
China	5,371	5,353
Taiwan	43,452	40,644
Others	6,567	880
	87,559	68,905

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

Please see review of turnover above.

15. A breakdown of sales

	GROUP		
	Year ended	Year ended	%
	31-Dec-07	31-Dec-06	Inc/(Dec)
	(\$'000)	(\$'000)	(\$'000)
a) Sales reported for first half year	33,851	30,880	10
b) Operating profit/loss after tax before deducting minority interests reported for first half year	2,066	2,610	(21)
c) Sales reported for second half year	53,708	38,026	41
d) Operating profit/loss after tax before deducting minority interests reported for second half year	(1,535)	(528)	191

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

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	Nil	Nil
Preference	Nil	Nil
Total	Nil	Nil

BY ORDER OF THE BOARD

THYE KIM MENG  
Chairman  
28 February 2008