

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C

(Incorporated in Singapore)

In response to the email from the Singapore Exchange Securities Trading Limited dated 12th April 2006, the Board of Directors of Darco Water Technology wishes to provide the following additional information in relation to the Company's Annual Report for the financial year ended 31st December 2005 as follows:

Query 1: In the audited Balance Sheet, the Short-Term Borrowings and Current Portion of Long-Term Borrowings total \$11.82 million, which is higher than the total current borrowings of \$11.02 million announced in the Company's Result ("Results") announced on 22rd February 2006.

Reply:

The audited figures were higher by approx. S\$0.8 million vis-a vis that in the Results due to the following:

- 1) Reclassification of Trade Payables amounting to approx. \$0.58 million to Current Portion of Long-Term Borrowings. These borrowings were related to financing of equipments by the subsidiaries and would be fully repaid within the current fiscal year; and
- 2) Reclassification of Non-Current portion of Long-Term Borrowings (approx. \$0.22 million) to Current Portion of Long-Term Borrowings. Similarly, such borrowings were related to financing of equipments by the subsidiaries and would be fully repaid within the current fiscal year.

Query 2: The Long-Term Borrowings amounted to \$4.58 million, which is lower than that announced in the Results of \$6.05 million.

Reply

The audited figures were lower by \$1.47 million than that announced in the Results due to the following items:

- 1) Reclassification of Non-Current portion of Long-Term Borrowings (approx. \$0.22 million) to Current Portion of Long-Term Borrowings. The reason is as explained above; and
- 2) Reclassification of Deposits paid by sub-contractors of approx. \$1.24 million from Non-Current Portion of Long-Term Borrowings to Trade Payables. These deposits were paid by our sub-contractors in lieu of performance bonds and would be paid at the end of the respective contracts.

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C

(Incorporated in Singapore)

Query 3: In the audited Cash Flow Statement, Net Cash from Operating Activities was a positive amount of \$0.37 million. However, in the Results, such items was a negative amount of \$(1.30) million. Please explain the material discrepancy.

Reply

The discrepancy between the Audited figure and that in the Result is primarily due to the following:

- 1) Debit adjustment of \$1.01 million. These amounts were erroneously omitted in the Results and related to net cash pledged in relation to certain credit facilities obtained by the Group's subsidiaries;
- 2) Debit adjustment of \$1.24 million arising from reclassification of deposits paid by sub-contractors from Non-Current Portion of Long-Term Borrowings to Trade Payables. As explained above, these deposits were paid by our sub-contractors in lieu of performance bonds and would be paid at the end of the respective contracts.
- 3) Credit adjustment of approx. \$0.58 million due to reclassification of Trade Payables to Current Portion of Long-Term Borrowings. These borrowings were related to financing of equipments by the subsidiaries and would be fully repaid within the current fiscal year.

**BY ORDER OF THE BOARD
DARCO WATER TECHNOLOGIES LIMITED**

Submitted by Thye Kim Meng, Director on 13/04/06 to the SGX