



Darco Water
Technologies Limited

annual
report
2003

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PROXY	

BOARD OF DIRECTORS	:	Thye Kim Meng (<i>Managing Director and Chief Executive Officer</i>) Teh Swee Heng (<i>Executive Director</i>) Lee Sue Lin (<i>Executive Director</i>) Daniel Cuthbert Ee Hock Huat (<i>Independent Director</i>) Hwa Hsueh Tsing (<i>Independent Director</i>)
AUDIT COMMITTEE	:	Daniel Cuthbert Ee Hock Huat (<i>Chairman</i>) Hwa Hsueh Tsing Thye Kim Meng
NOMINATING COMMITTEE	:	Daniel Cuthbert Ee Hock Huat (<i>Chairman</i>) Hwa Hsueh Tsing Thye Kim Meng
REMUNERATION COMMITTEE	:	Hwa Hsueh Tsing (<i>Chairman</i>) Daniel Cuthbert Ee Hock Huat Teh Swee Heng
COMPANY SECRETARY	:	Low Mei Mei Maureen, ACIS, L.L.B (<i>Hons</i>) (<i>London</i>)
REGISTERED OFFICE	:	41 Loyang Drive Singapore 508952 Tel : (65) 6545 3800 Fax : (65) 6545 3730
REGISTRAR AND SHARE TRANSFER OFFICE	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
AUDITORS	:	Chio Lim & Associates (<i>a member of Horwath International</i>) Certified Public Accountants 18 Cross Street #09-01 Marsh & McLennan Centre Singapore 048423 Partner-in-charge: Ng Thiam Soon (<i>effective from financial year ended 31 December 2002</i>)

Mr Thye Kim Meng
Malaysian, Aged 51
Managing Director and Chief Executive Officer

Mr Thye Kim Meng is responsible for the general management, overall strategic planning and direction of our Group. He was appointed to the Board of Directors of the Company on 13 October 2001 and is a member of the Audit Committee and the Nominating Committee. Mr Thye has more than 19 years of experience in design engineering applications in the field of water purification and wastewater treatment facilities, having served as Managing Director of Wheelabrator Engineered Systems (S) Pte Ltd, Vice-President (ASEAN, Business Development) of Wheelabrator Water Technologies (S) Pte Ltd and Senior Director/Technical Consultant with U.S. Filter (Asia) Pte Ltd and Darchet Engineering & Water Treatment Pte Ltd. Mr Thye graduated from the Polytechnic of Wolverhampton, England with a Bachelor of Science in Mechanical Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Teh Swee Heng
Malaysian, Aged 54
Executive Director (Business Development)

Mr Teh Swee Heng is in charge of business development, sales and marketing of water purification and wastewater treatment systems and services for our Group. He was appointed to the Board of Directors of the Company on 11 March 2002 and is a member of the Remuneration Committee. Mr Teh has more than 12 years of experience in sales, operations and engineering project management in water purification and wastewater treatment facilities, having served as Sales and Operation Director with Wheelabrator (M) Sdn. Bhd. and U.S. Filter (M) Sdn. Bhd. He was also a Director and the Sales and Operation Manager of Darchet (M) Sdn Bhd. Mr Teh graduated from the University of Heriot-Watt, Edinburgh, Scotland with a Bachelor of Science in Electrical and Electronic Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Alfred Lee
Malaysian, Aged 51
Executive Director (Technical)

Mr Alfred Lee Sue Lin is in charge of technical process design, process applications and technical operations in our Group. He was appointed to the Board of Directors of the Company on 13 October 2001 Mr Lee has more than 20 years of treatment process knowledge and experience in the field of water purification and wastewater treatment facilities, having served as Technical Director with Wheelabrator Engineered Systems (S) Pte Ltd, Wheelabrator Water Technologies (S) Pte Ltd, U.S. Filter (Asia) Pte Ltd and Darchet Engineering & Water Treatment Pte Ltd. Mr Lee graduated from the University of Birmingham with a Bachelor of Science in Chemical Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Daniel Ee
Singaporean, Aged 51
Independent Director

Mr Daniel Ee was appointed as an independent Director of our Company on 20 June 2002 and is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee. He has more than 14 years of experience in investment banking and was Chief Executive of Standard Chartered Merchant Bank Asia Limited from 1996 to 1999. He had also served for 10 years in the public sector prior to joining the investment banking industry. He graduated from the University of Bath with a Bachelor of Engineering in Systems Engineering and holds a Masters degree in Industrial Engineering from the National University of Singapore. He is a director of various companies including SMRT Corporation Ltd and Surface Mount Technology Limited, which are companies listed in Singapore.

Mdm Hwa Hsueh Tsing
Singaporean, Aged 51
Independent Director

Mdm Hwa Hsueh Tsing was appointed as an independent Director of our Company on 20 June 2002 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. She was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1978 and is presently a Partner of Messrs HT Hwa & Associates, a law firm in Singapore. Mdm Hwa graduated from the University of Singapore with a Bachelor of Laws (Honours). She does not hold any directorships or chairmanships in other listed companies in Singapore.

Key Management

Brendan Goh, aged 38, is the Group's Chief Financial Officer. Brendan Goh is responsible for the Group's overall finance and accounting functions. He has 10 years of experience in investment banking, having work in several local and foreign investment banks in Singapore. He graduated from the National University of Singapore with a Bachelor of Accountancy and is a non-practicing member of the Institute of Certified Public Accountants of Singapore.

Calvin Thye, aged 53 years, is the General Manager of Darco System (M) Sdn. Bhd ("DSM"). Calvin Thye is responsible for DSM's overall management and operations of DSM in relation to our business in the central and southern regions of Peninsula Malaysia. He is also a key player in formulating the corporate strategies and charting new directions and goals for DSM. Calvin Thye has over 12 years of experience in water purification treatment business. Calvin Thye attained a Cambridge General Certificate of Education at the Ordinary Level. Calvin Thye is the brother of Thye Kim Meng.

Yeoh Choo Seng, aged 36 years, is the General Manager of Darco Industrial Water Sdn Bhd ("DIW"). Yeoh Choo Seng is responsible for the overall management and operations of DIW in relation to our business in the northern region of Peninsula Malaysia, in particular Penang and Kuching. Yeoh Choo Seng has over 11 years of experience in water treatment business. Yeoh Choo Seng attained an Electronic Engineering Diploma from Butterworth Technology Institute, a Full Technological Certificate (Electrical Engineering) from the City and Guilds of London Institute and a certificate from The Society of Engineers (Telecommunications and Electronics).

Tony Huang, aged 52 years, is our Head (Operations), who is responsible for our Group's operations in wastewater treatment systems and maintenance services. Tony Huang has over 24 years of experience in design, installations and commissioning of wastewater treatment system. Tony Huang graduated with a degree in Bachelor of Science in Civil Engineering and obtained Masters of Science in Civil Engineering both from Cheng Kung University, Taiwan.

Arthur Choo, aged 48 years, is the General Manager of Singaway FluidControls Pte Ltd ("SFC"). Arthur Choo is responsible for SFC's overall management functions, sales and marketing activities. Arthur Choo has 8 years of experience in the trade and supply of spare parts and instrumentations for use in water treatment systems. Arthur Choo graduated from the Institute of Technology Education with a National Trade Certificate Grade 2 in General Fittings and an Industrial Technical Certificate in Mechanical Engineering. Arthur Choo is a Honorary Secretary of Kampong Chai Chee Community Centre Management Committee and a Councillor of East Coast Town Council (Executive Committee).

Introduction

Dear Valued Shareholders,

The year 2003 was a challenging year for the Company to deliver improved revenues and profitability over FY2002. Our improved performance was achieved amidst a weak South East Asian environment in FY2003, which was negatively affected by SARS and the war in Iraq. The management team worked very hard and achieved success in expanding our operations notably in North Asia.

I started the year with a Vision for Darco Water Technologies Ltd, to focus on the business of providing customer-driven water treatment solutions in the Asia-Pacific region while at the same time, seeking opportunities to widen the scope of our work by providing environmental engineering services to our existing clientele.

To achieve this Vision, Darco had to leverage on its core strengths :

- The expansion of regional operations which includes those in North Asia;
- The formation of strategic alliances with multinational corporations in order to widen our customer base;
- The diversification into environmental engineering services such as municipal water treatment, air pollution control and solid waste management, which will be the second engine of growth for our Group by 2005; and
- Continually building a strong stakeholder culture within the Group.

I am pleased to report to shareholders that my Vision for Darco remains intact.

Regional Expansion

In 2003, our overseas subsidiaries in Taiwan, China, the Philippines and Indonesia had a full year of operation and certain markets have begun to contribute significantly to our Group's revenue. Revenue increased in all our key markets of Singapore, Malaysia, China and Taiwan. The performance of our North Asia subsidiaries, Taiwan and China, was very encouraging, and for FY2003, North Asia contributed 52.2% of the Group's revenue (38.6% in FY2002). Contribution from the Philippines and Indonesia remains insignificant.

Revenue generated from our principal market, Malaysia, grew from \$7.8 million to \$10.7 million, contributing 31.3% of the Group's revenue (38.7% in FY2002). We commenced our operations in China in FY2002, and contribution from the China market for its first year of operation was strong, generating \$8.1 million in revenues, this contributed 23.6% of the Group's revenue (nil in FY2002). Revenue generated from Taiwan grew from \$7.8 million to \$9.8 million, contributing 28.6% of the Group's revenue (38.6% in FY2002).

Darco has come a long way since July 2002, when the Company was listed on the Stock Exchange of Singapore ("SGX"). For the 6 months ended 30 June 2002, 90% of the Group's revenues were generated from Malaysia. The contrasting geographical spread of our revenue base in FY2003 reflects the Group's efforts in its regional expansion.

The Group will continue to build upon its strength in the Malaysian, China and Taiwan markets, and continue its efforts to develop the markets of the Philippines and Indonesia.

Strategic Alliances

Darco's strategic alliances differentiate us from other water technology companies listed on the SGX. Since 2002, we have entered into strategic alliances with leading technology providers to provide new technologies in environmental engineering to our customers.

In September 2002, we entered into a co-operation agreement with UK-based Kennicott Water Systems Limited, one of the world's oldest and most established industrial water system companies. During the year, we secured a contract to upgrade an ultra-pure water treatment system for a Power Plant in Malaysia. This contract in the power generation sector is a significant milestone for the Group, as the power and petrochemical sectors have high barriers to entry.

In January 2003, we entered into a strategic alliance with Process Automation International Ltd (PAL), a global leader in the design, manufacture and installation of high quality electroplating and environmental protection equipment. This alliance resulted in the securing of a wastewater project in China and an ultra-pure water project for a solar cell manufacturer in the Philippines.

In March 2004, we entered into a strategic alliance with Japan-based Showa Engineering Co., Ltd ("Showa Engineering"), a subsidiary of Showa Denko, one of Japan's leading chemical companies. Showa Denko developed the UNOX System, a proprietary technology for activated sludge treatment using high-purity-oxygen as an aeration gas for the activated sludge treatment process. Darco will market Showa Denko's UNOX wastewater treatment system by leveraging on its extensive knowledge of the water treatment market in Asia and its technical capabilities, including its capabilities in engineering and construction support and after-sale service and maintenance support.

The Group will focus on identifying and entering into more strategic alliances with technology partners to enable us to provide new technologies in environmental engineering to our customers.

Municipal Water and Environmental Engineering Services

We have experienced delays in the completion of our 15-year Build-Own-Transfer project to construct a potable water treatment plant and to supply 60,000 cubic metres per day (CMD) of potable water to Deqing County, Zhejiang Province, China. We have secured the necessary funding in March 2004 through a US\$9.5 million Transferable loan Facility and expect to complete this project by 3rd quarter 2004. We expect to reap the returns from this BOT project in FY2004.

We made good progress in securing contracts in the environmental engineering services sector. In July 2003, we secured a RM 5.2 million (approximately S\$2.4 million) contract for the construction of a Leachate Treatment Plant for the Mambong Disposal Park, Kuching, Sarawak; in August 2003, we secured an NT\$233.5 million (approximately S\$12.0 million) contract for the treatment of pesticide contaminated soil in Tao Yuan County, Taiwan; and in September 2003, our 60% owned subsidiary, PV Vacuum Engineering Pte Ltd, secured a S\$1.9 million contract for the construction of an air quality management system for Seagate's new media factory in Woodlands, Singapore.

These contracts in the environmental engineering sector strengthen our Group's capabilities in the environmental engineering business, which encompasses the management of water, air and solid wastes, and reinforces the Group's objective of being a total solutions provider of environmental engineering services. With an expanded range of environmental engineering services, our Group will be able to achieve greater marketing synergy by being able to offer existing customers a wider range of environmental engineering solutions.

A Stakeholder Culture

We continue to create a stakeholder culture in the management team. My key management team still holds a significant stake in the shares of the Company, and this remains an important factor to motivate the building of shareholder value within the company.

We will continually recruit capable managers and they will be rewarded with an equity stake in our Company according to their performance.

Financial Performance

For the financial year ended December 2003, we recorded a 68.9% increase in turnover to S\$34.1 million. This is the result of our regional expansion efforts and our expansion into the environmental engineering sector, both of which commenced in FY2002, and which are beginning to bear fruit for us. Our North Asian operations now contribute more than half of the Group's revenues.

In FY2002, I mentioned that we incurred high selling, general and administration expenses, which amounted to 25.0% of revenues, as we were laying the foundations for the Group's overseas growth, especially in the markets of Taiwan, China, the Philippines and Indonesia. In FY2003, SG&A remained relatively high, being 23.1% of revenues. We continued to incur high selling, general and administration expenses, mainly because our sales and management teams in Singapore and Malaysia continued to provide sales and technical support to the Groups overseas subsidiaries.

A key objective for me has been to work towards localizing our sales, marketing and engineering expertise for each of our key overseas markets. In FY2003, we have been hiring and training local sales, marketing and engineering staff in our overseas subsidiaries in order to localize these functions. Our staff strength for our China and Taiwan operations has increased from 23 as at 31 December 2002 to 105 as at 31 December 2003. With these in place, we can begin to reap the returns from our overseas subsidiaries.

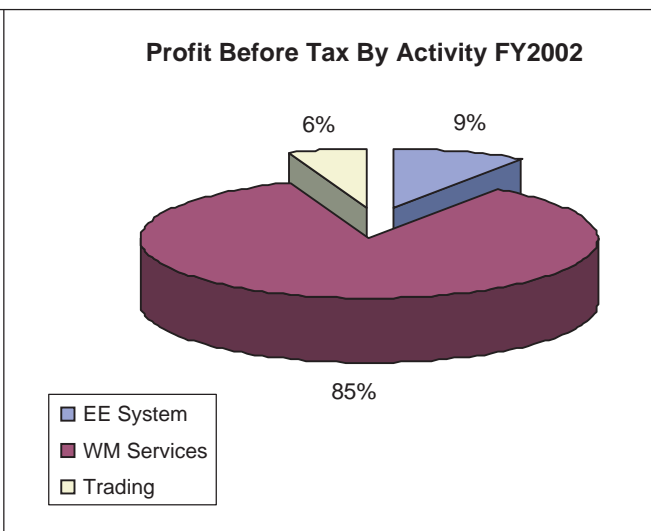
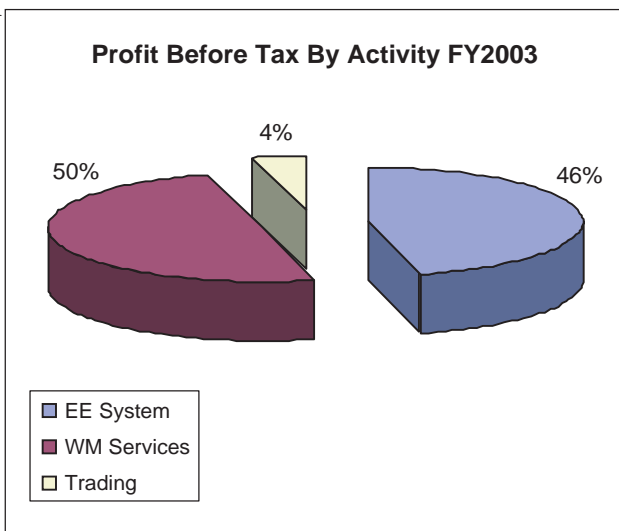
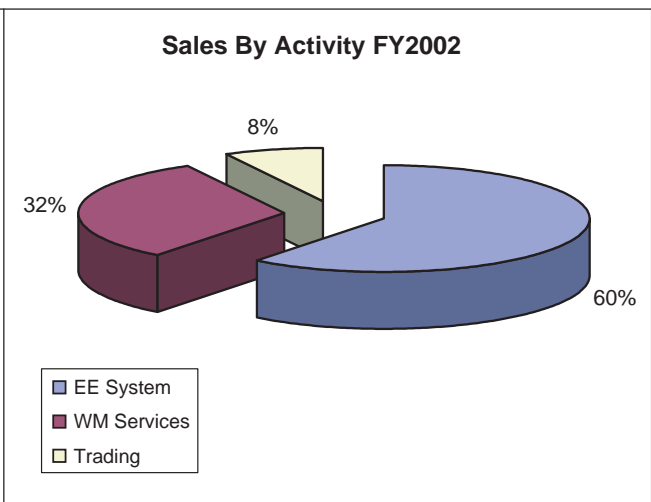
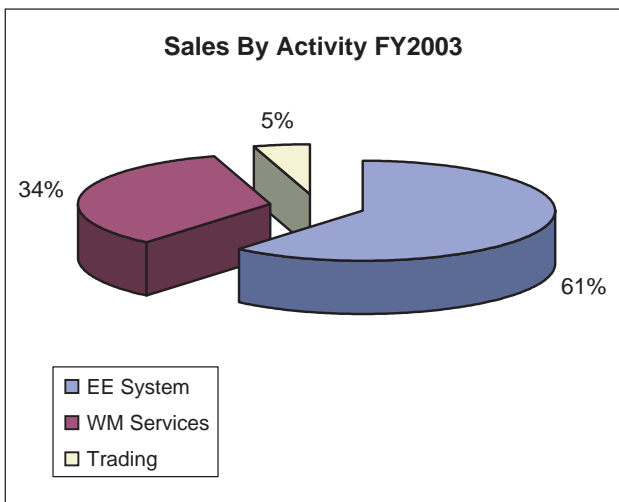
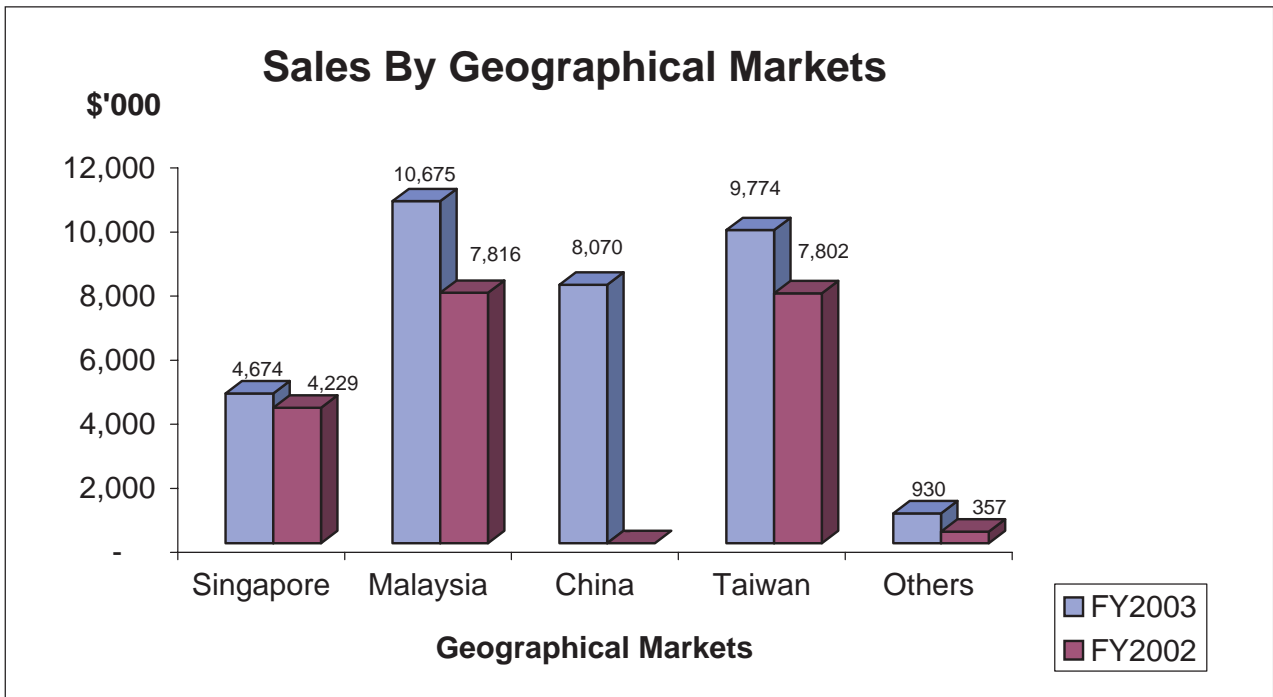
In line with our increase in revenue, our profit before taxation increased by 58.5% to \$2.9 million, and net profit increased by 47.5% to \$2.4 million in FY2003.

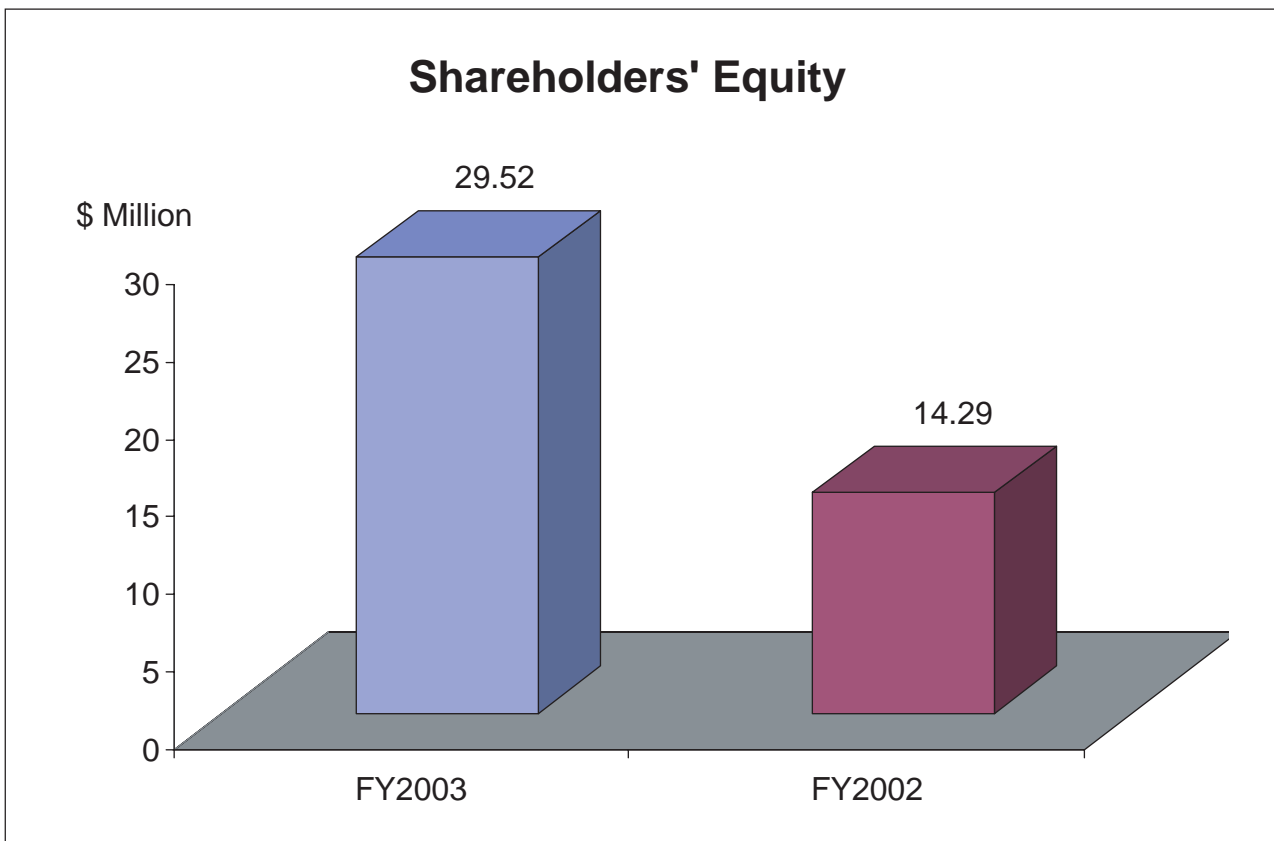
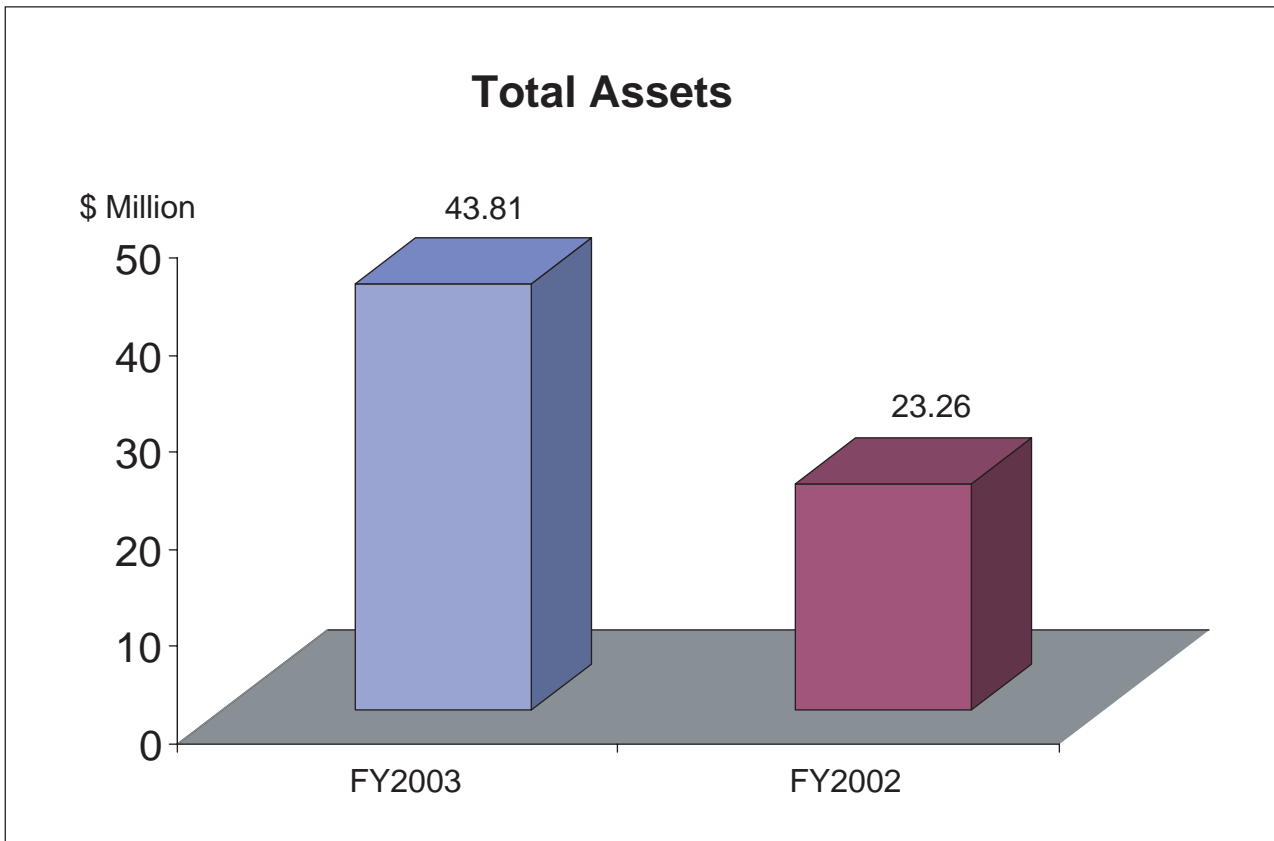
Conclusion and Prospects

Despite a challenging environment, we managed to increase revenues by 68.9% and increase net profits by 47.5%. Towards the close of the 2003 calendar year, we have experienced a pick-up in projects in the electronics and semiconductor industries. We are well positioned to benefit from such a recovery this year as this sector has traditionally been our stronghold.

We continue to build upon our key expertise in engineered water and waste water systems, and in FY2003, we have experienced success in our regional expansion into North Asia, and in our expansion into the environmental engineering services sector. We will continue to adopt these two growth strategies in FY2004, as it has been carried out with success for our Group in FY2003.

I would like to thank all stakeholders – management staff, employees, customers, suppliers and friends for their confidence in Darco and seek your continued support through the exciting years ahead.





CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2003

Darco Water Technologies Limited & Subsidiaries

The Company endorses the Code of Corporate Governance (the "Code") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company was admitted to the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System ("SESDAQ") in July 2002. Steps have been taken, as far as practicable, towards continued compliance with the recommendations in the Code, taking into account the size of the Group's business and organization structure.

Board Matters

Principal 1 : Board's Conduct of its Affairs

The Board conducts meetings at least twice annually in addition to ad-hoc meetings. The attendance of the directors at Board meetings during the financial year are as follows:-

Board/Committees	Board	Board Committees		
		Audit	Remuneration	Nominating
No of meetings held	5	3	1	1
Directors				
Daniel Ee	5	3	1	1
Hwa Hsueh Tsing	5	3	1	1
Thye Kim Meng	5	3		1
Teh Swee Heng	3		1	
Alfred Lee Su Lin	3			

The Board meets regularly to approve matters relating to announcements of financial results, the annual report and financial statements, convening shareholder's meetings, material acquisitions and disposals of assets. The Board has adopted the Group Charter in FY2003, which sets out the Group's internal guidelines for material contracts and investments exceeding a specified amount. This Group Charter forms part of our Group's risk management process, which ensures that all contracts entered into, and investments made by the Group, of a material contract sum are approved by the appropriate level of management, up to the Board level.

On 12 January 2004, the Audit Committee met to decide on the necessary actions to be taken following the lodgment of a police report in the State of Penang, Malaysia, against an employee of Darco Industrial Water Sdn Bhd ("DIW"), a wholly-owned subsidiary of DWT in Malaysia, on suspicion of falsifying payroll documents submitted to the Bank and possible misappropriation of funds belonging to DIW into that employee's personal bank account. The Board made an appropriate announcement of this incident on 13 January 2004. The Audit Committee has appointed CK Siow & Associates (certified internal auditor) to assist in a review of the risk assessment of our Singapore and Malaysian operations, including an assessment of the internal controls relating to the payroll functions. A law firm, Presgrave & Matthews, was appointed to file a statement of Claim, Affidavit and Summons in Chambers with the High Court of Penang on behalf of DIW. Management has taken the necessary steps to enhance internal controls for the payroll functions throughout the Darco Group of Companies and commenced the necessary legal actions to recover the amounts misappropriated by the Staff.

The Board has remained unchanged since the Company's listing on the SGX. The Company, through its Company Secretary, has been updating the Board on relevant new laws and regulations affecting the Company. From time to time, and through Board Meetings and other Meetings, both formal and informal, our CEO has been advising our Directors of the changing commercial and business risks facing our Company.

The Board has no dissenting view on the Chairman's Statement for the year in review.

Principal 2 : Board Composition and Balance

The Board comprises three Executive Directors and two Non-Executive Directors, who are also Independent Directors; therefore, more than one third of the Board Members are independent, The Board has reviewed and is satisfied that Mr Daniel Ee and Mdm Hwa Hsueh Tsing can be considered independent directors.

The current size of the Board is considered adequate for the present scope of business and structure of the organization, and possesses a good mix of relevant financial and legal expertise, business and industry experience, management and strategic planning capability for effective governance and stewardship of the Company.

The Directors' appointments on the Board and details of their roles in Board Committees are set out below:-

Directors	Board Membership	Board Committees		
		Audit	Remuneration	Nominating
Thye Kim Meng	Managing Director and CEO	Member		Member
Teh Swee Heng	Executive Director		Member	
Alfred Lee Sue Lin	Executive Director			
Daniel Ee	Independent Director	Chairman	Member	Chairman
Hwa Hsueh Tsing	Independent Director	Member	Chairman	Member

Principal 3 : Role of Chairman and Chief Executive Officer

The position of Chairman in the Company is held by Mr Thye Kim Meng, who also holds the positions of Managing Director and Chief Executive Officer of the Company. Mr Thye Kim Meng believes that the scope of our business and the structure of our organization does not warrant the additional costs which will be incurred in the appointment of a third party as Chairman of the board or a meaningful split of the position of Chairman and Managing Director. In addition, Mr Thye believes that the interests of minority shareholders will be best met with him maintaining his position as Chairman, Managing Director, Chief Executive Officer and the single largest shareholder of the Company, as Mr Thye would ensure that shareholder value would be enhanced.

The Chairman is guided by recommendations provided by our Company Secretary, the Chairmen of the Audit, Nominating and Remuneration Committees and the Company's Chief Financial Officer. With such support, he ensures that meetings are scheduled to enable the Board to perform its duties responsibly, prepare the meeting agenda, control the quantity, quality and timeliness of the flow of information between management and the Board, and ensure compliance with the Code.

Principal 4 : Board Membership

The Nominating Committee's terms of reference includes ensuring proper procedures for appointment and re-appointment of Directors, determining on an annual basis the independence of the independent directors, deciding whether a Director has been adequately carrying out his duties as a Director and assessing the performance of the Board. The Nominating Committee comprises a majority of independent directors.

The Nominating Committee is satisfied that sufficient time and attention are given by the directors to the affairs of the Company.

The Nominating Committee has recommended the re-appointment of 2 retiring Directors, namely Mr Daniel Ee and Mdm Hwa Hsueh Tsing at the Annual General Meeting. The Board has accepted the Nominating Committee's recommendation.

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2003

Darco Water Technologies Limited & Subsidiaries

Key information on the Directors are disclosed on pages 3 to 4 of this Annual Report. Details of the shareholdings of Directors in the shares of the Company are disclosed in paragraph 3 of the Director's Report.

Principal 5 : Board Performance

The Nominating Committee has assessed the effectiveness of the Board as a whole. The Board's performance was evaluated by the Nominating Committee based on performance criteria set out in the Code.

Principal 6 : Access to Information

The members of the Board have independent access to management and the Company Secretary, and are provided with adequate background information prior to Board Meetings. Management has taken a pro-active approach of informing the Directors on a timely basis of important corporate actions to be taken by the Company and events that will affect the Company, although such developments may not require the approval of the Board of Directors. The Company Secretary attends all Board Meetings.

The members of the Board may seek the advice of independent professional advisers, at the expense of the Company.

Principal 7 : Remuneration Matters

The Remuneration Committee consists of two Independent Directors and one Executive Director, namely, Mdm Hwa Hsueh Tsing, Mr Daniel Ee and Mr Teh Swee Heng. The Remuneration Committee recommends to the Board a framework of remuneration for the Directors and key executives of the Group, and specific remuneration packages for each Executive Director and the Managing Director.

Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package.

Principal 8 : Level and Mix of Remuneration

The Remuneration Committee takes into account performance related elements for the remuneration and performance measures for Executive Directors. The remuneration package is also designed to align the Director's interests with those of minority shareholders. The remuneration of the Non-Executive Directors are based on the remuneration rates of comparable companies listed on SESDAQ.

The Remuneration Committee has review the existing Service Agreements which were entered into between the Company and the Executive Directors, namely Mr Thye Kim Meng, Mr Teh Swee Heng and Mr Alfred Lee, on 11 March 2002. These Service Agreements are disclosed to shareholders in the Company's Prospectus dated 28 June 2002.

Principal 9 : Disclosure of Remuneration

The remuneration of the Directors are disclosed in page 41 of this Annual Report. The number of Directors and top five executives (non-directors) whose remuneration fell within the following ranges are as follows:-

	<i>Group</i>			
	<i>2003</i>		<i>2002</i>	
	<i>Directors</i>	<i>Executives</i>	<i>Directors</i>	<i>Executives</i>
<i>Below \$250,000</i>	5	5	5	5
<i>\$250,000 - \$499,999</i>	–	–	–	–
<i>\$500,000</i>	–	–	–	–
<i>Total</i>	5	5	5	5

CORPORATE GOVERNANCE STATEMENT

Darco Water Technologies Limited & Subsidiaries

For the year ended 31 December 2003

No employee, who is related to a Director or the CEO earned more than S\$150,000 during the year under review. The Group does not have a share option scheme.

The breakdown of each Director's annual remuneration is set out below:-

	Salaries, including CPF	Variable Bonus Bonus	Director's Fees	Total
<i>Thye Kim Meng</i>	100%	–	–	100.0%
<i>Teh Swee Heng</i>	96.2%	3.8%	–	100.0%
<i>Lee Sue Lin</i>	100%	–	–	100.0%
<i>Daniel Cuthbert Ee Hock Huat</i>	–	–	100.0%	100.0%
<i>Hwa Hsueh Tsing</i>	–	–	100.0%	100.0%

Principal 10 : Accountability and Audit

The Management is accountable to the Board, and provides members of the Board with a balanced and understandable accounts of the Company and its subsidiaries performance, financial position and prospects on a half-year basis.

The Board will provide shareholders with a balanced and understandable assessment of the Company's performance, financial position and prospects on a half-yearly basis, and make announcements of price sensitive information to shareholder when necessary, and where required by the regulators.

Principal 11 : Audit Committee

The Audit Committee consists of a majority of independent directors, namely, Mr Daniel Ee (independent), Mdm Hwa Hsueh Tsing (independent) and Mr Thye Kim Meng. The members of the Audit Committee are appropriately qualified to carry out their responsibilities, which are set out in their terms of reference.

The Audit Committee has the powers to investigate any matter within its terms of reference, have full access and cooperation from Management, and access to reasonable resources to enable it to discharge its functions properly. The Audit Committee has full discretion to invite any Executive Director or management staff to attend its meetings.

The Audit Committee has reviewed the non-audit services provided by the external auditors, Messrs Chio Lim & Associates, and is satisfied that the external auditors are able to maintain their independence and objectivity in carrying out their duties, and that the scope and results of the audit are satisfactory and that the audit has been carried out in a cost effective manner. The Audit Committee recommends to the Board the nomination of the external auditors for re-appointment.

The external auditors were engaged by the Company on 29 October 2001.

The Audit Committee met the external auditors without the presence of management. There were no issues raised to the Audit Committee which required the attention and action of the Audit Committee.

Principal 12 : Internal Controls

The Board is satisfied that the Audit Committee has made meaningful improvements within the Company in the area of financial internal controls and risk management processes, in response to the misappropriation of funds by our Staff. The Board is also satisfied that this was an isolated case within the Group. The Executive Directors and management continue to be involved in the day-to-day operations of the Group, and ensuring that the internal controls environment is maintained in a cost effective manner.

CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2003

Darco Water Technologies Limited & Subsidiaries

The Audit Committee appointed CK Siow & Associates to perform an assessment of the internal controls relating to the payroll functions and perform a risk assessment review of the Group's Singapore and Malaysian operations. The objective of the risk assessment was to identify and assess risks which include financial, operational, technology, people, facilities and process risks. Management has put in place a risk management process to monitor, manage and build awareness within the organization, of the various risks which the Group is exposed to. The internal control system relating to payroll has been enhanced with adequate separation of duties. Internal controls within the Group are mostly in place, and based on the recommendations from CK Siow & Associates, management will take the necessary steps to enhance the financial accounting controls in a cost effective manner.

Principal 13 : Internal Audit

The Company does not have an internal audit function, as the Company's current scope of business and structure of the organization would not make it cost-effective to have a separate internal audit function. The key element in the Group's internal control system is the control which senior management exercises over expenditures for projects, which are personally reviewed by Mr Thye Kim Meng, the Managing Director and Chief Executive Officer. In addition, cheques are only approved by our Executive Directors and Country Managers of our respective overseas subsidiaries.

The Audit Committee engaged CK Siow & Associates (Certified Internal Auditor) to perform a risk assessment study of the operations of the Group in Singapore and Malaysian. The Risk Assessment Report prepared by CK Siow & Associates recommends that due to the nature and size of the business, the internal audit function should be out-sourced or co-sourced, with co-sourcing as the preferred route because internal audit is a control process within an organization. Co-sourcing involves the use of external consultants and suitable in-house staff. The Audit Committee concurs with the recommendations of the Report.

Principal 14 : Communication with Shareholders

The Board shall continue to have regular, effective, fair and timely communication with Shareholders through public announcements and general meetings, where required.

Principal 15 : Communication by Shareholders

All Shareholders are given the opportunity for dialogue with the Board of Directors and external auditors at the Annual General Meetings.

Interested Party Transactions

The Company has established a register to ensure that all Interested Party Transactions are properly recorded, reviewed and approved, and are conducted on an arm's length basis.

Securities Transactions

The Board of Directors and key employees with access to sensitive financial information have been advised on the Best Practice Guides on Dealings in Securities issued by the Singapore Exchange Securities Trading Limited.

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2003.

1. DIRECTORS AT DATE OF REPORT

The directors of the company in office at the date of this report are:

Thye Kim Meng	<i>(Managing Director and Chief Executive Officer)</i> (a)(c)
Lee Sue Lin	<i>(Executive Director)</i>
Teh Swee Heng	<i>(Executive Director)</i> (b)
Daniel Cuthbert Ee Hock Huat	<i>(Independent Director)</i> (a)(b)(c)
Hwa Hsueh Tsing	<i>(Independent Director)</i> (a)(b)(c)

- (a) member of audit committee
- (b) member of remuneration committee
- (c) member of nominating committee

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Cap. 50 (the "Act") except as follows:

<u>Name of directors and companies in which interest are held</u>	<u>Direct interest</u>		<u>Deemed interest</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
<u>Darco Water Technologies Limited (the company)</u>				<u>Ordinary shares \$0.05 each</u>
Thye Kim Meng	63,795,711	31,897,855	–	31,897,856
Lee Sue Lin	7,694,800	7,594,800	–	–
Teh Swee Heng	7,694,820	7,444,820	–	–
Daniel Cuthbert Ee Hock Huat	50,000	50,000	–	–
Hwa Hsueh Tsing	50,000	50,000	–	–

By virtue of section 7 of the Companies Act, Cap. 50, Mr Thye Kim Meng is deemed to have an interest in all the related corporations of the company.

The directors' interests as at 21 January 2004 were the same as those at the end of the year except for Mdm Hwa Hsueh Tsing who held 70,000 ordinary shares of \$0.05 each in the company as at 21 January 2004.

4. CONTRACTUAL BENEFITS OF DIRECTORS

Since the beginning of the financial year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Companies Act, Cap. 50 by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

There were certain transactions (shown in the financial statements) with corporations in which certain directors have an interest.

5. OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6. OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

8. AUDIT COMMITTEE

The members of the audit committee at the date of this report are:-

Daniel Cuthbert Ee Hock Huat	–	Chairman of audit committee and Independent Director
Hwa Hsueh Tsing	–	Independent Director
Thye Kim Meng	–	Managing Director and Chief Executive Officer

The audit committee performs the functions specified by section 201B (5) of the Companies Act, Cap. 50. It met with the company's external auditors to discuss their audit plan covering the scope of their work and the results of their audits, including the external audit report.

The audit committee also performed the following functions:

- Reviewed with the external auditors their evaluation of the company's internal accounting controls.
- Reviewed the adequacy of the assistance provided by the company's officers to the external auditors.
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption.

The audit committee has recommended to the board of directors that the auditors, Chio Lim & Associates, be nominated for re-appointment as auditors at the next annual general meeting of the company.

Other functions performed by the audit committee are described in the corporate governance statement included in the annual report.

9. AUDITORS

The auditors, Chio Lim & Associates, have expressed their willingness to accept re-appointment.

10. DEVELOPMENTS SUBSEQUENT TO ANNOUNCEMENT OF RESULTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 28 February 2004, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

ON BEHALF OF THE DIRECTORS

Thye Kim Meng
Managing Director and Chief Executive Officer

Lee Sue Lin
Executive Director

9 March 2004

In the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the changes in equity of the company and of the group, and of the results and cash flows of the group for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Thye Kim Meng
Managing Director and Chief Executive Officer

Lee Sue Lin
Executive Director

9 March 2004

We have audited the accompanying financial statements of Darco Water Technologies Limited set out on pages 19 to 49 for the year ended 31 December 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2003 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The details of these subsidiaries are indicated in Note 10 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that are consolidated with the financial statements of the company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under section 207 (3) of the Act.

Chio Lim & Associates
Certified Public Accountants

Partner-in-charge of audit : Ng Thiam Soon
Effective from financial year ended 31 December 2002

Singapore
9 March 2004

BALANCE SHEETS

As at 31 December 2003.

Darco Water Technologies Limited & Subsidiaries

	Notes	Group		Company	
		2003	2002 \$'000	2003 \$'000	2002 \$'000
\$'000					
ASSETS					
Current assets:					
Cash and cash equivalents	5	5,930	3,121	188	145
Trade receivables	6	16,589	10,402	596	144
Other receivables and prepayments	7	2,930	1,836	21,333	11,304
Inventories	8	1,673	995	–	–
Contracts work-in-progress	9	1,318	244	–	–
Total current assets		<u>28,440</u>	<u>16,598</u>	<u>22,117</u>	<u>11,593</u>
Non-current assets:					
Investments in subsidiaries	10	–	–	6,317	5,317
Property, plant and equipment	11	13,227	5,029	–	–
Goodwill	12	1,070	529	–	–
Long-term trade receivables	6	1,072	1,106	–	–
Total non-current assets		<u>15,369</u>	<u>6,664</u>	<u>6,317</u>	<u>5,317</u>
Total assets		<u>43,809</u>	<u>23,262</u>	<u>28,434</u>	<u>16,910</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term borrowings	13	2,625	4,759	2,123	3,924
Trade payables and accrued liabilities	14	6,694	2,183	98	91
Other payables	15	595	104	208	33
Income tax payable		116	18	–	–
Current portion of interest-bearing borrowings	16	181	113	–	–
Current portion of finance leases	17	26	21	–	–
Total current liabilities		<u>10,237</u>	<u>7,198</u>	<u>2,429</u>	<u>4,048</u>
Non-current liabilities:					
Deferred tax liabilities	24	115	49	–	–
Interest-bearing borrowings	16	961	888	–	–
Finance leases	17	21	44	–	–
Total non-current liabilities		<u>1,097</u>	<u>981</u>	<u>–</u>	<u>–</u>
Minority interests		<u>2,959</u>	<u>792</u>	<u>–</u>	<u>–</u>
Capital and reserves:					
Issued capital	18	9,060	7,448	9,060	7,448
Reserves		20,456	6,843	16,945	5,414
Total equity		<u>29,516</u>	<u>14,291</u>	<u>26,005</u>	<u>12,862</u>
Total liabilities and equity		<u>43,809</u>	<u>23,262</u>	<u>28,434</u>	<u>16,910</u>

See accompanying notes to financial statements.

	Notes	Group	
		2003 \$'000	2002 \$'000
Revenue	19	34,123	20,204
Cost of sales		(22,922)	(13,254)
Gross profit		11,201	6,950
Other operating income	20	74	57
Distribution costs		(2,925)	(2,037)
Administrative expenses		(4,613)	(2,839)
Other credits / (charges)	21	(580)	(231)
Profit from operations		3,157	1,900
Finance costs	22	(245)	(63)
Profit before income tax	23	2,912	1,837
Income tax expense	24	(512)	(210)
Profit after income tax		2,400	1,627
Minority interests		(55)	87
Profit attributable to shareholders		2,345	1,714
Earnings per share (cents)	29		
– Basic		1.35	2.14
– Diluted		1.35	2.14

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2003

Darco Water Technologies Limited & Subsidiaries

Group	Issued capital \$'000	Share premium \$'000	Foreign exchange translation reserves \$'000	Accumulated profits \$'000	Total \$'000
At date of incorporation	*	–	–	–	*
Issue of ordinary shares	7,448	6,750	–	–	14,198
Expenses relating to issue of ordinary shares (see note b below)	–	(1,337)	–	–	(1,337)
Foreign currency translation differences not recognised in the income statement	–	–	(284)	–	(284)
Net profit for the year	–	–	–	1,714	1,714
At 31 December 2002	7,448	5,413	(284)	1,714	14,291
Issue of ordinary shares	1,612	12,139	–	–	13,751
Expenses relating to issue of ordinary shares	–	(611)	–	–	(611)
Foreign currency translation differences not recognised in the income statement	–	–	(260)	–	(260)
Net profit for the year	–	–	–	2,345	2,345
Balance at 31 December 2003	9,060	16,941	(544)	4,059	29,516

(a) (a)

Company	Issued capital \$'000	Share premium \$'000	Accumulated profits \$'000	Total \$'000
At date of incorporation	*	–	–	*
Issue of ordinary shares	7,448	6,750	–	14,198
Expenses relating to issue ordinary shares (see note b below)	–	(1,337)	–	(1,337)
Net profit for the year	–	–	1	1
At 31 December 2002	7,448	5,413	1	12,862
Issue of ordinary shares	1,612	12,139	–	13,751
Expenses related to issue of ordinary shares	–	(611)	–	(611)
Net profit for the year	–	–	3	3
Balance at 31 December 2003	9,060	16,941	4	26,005

(a)

* Nominal amount of \$2.

(a) Not available for cash dividends.

(b) Included in share issue expenses for 2002 was an amount of \$75,000 paid to the company's auditors for the purpose of acting as Reporting Accountants in the listing exercise.

See accompanying notes to financial statements

CONSOLIDATED CASH FLOW STATEMENT

Darco Water Technologies Limited & Subsidiaries

Year ended 31 December 2003

	Group	
	2003	2002
	\$'000	\$'000
Cash flows from operating activities:		
Profit before income tax	2,912	1,837
Adjustments for :		
Depreciation expense	705	349
Loss on disposal of plant and equipment	14	–
Amortisation of goodwill	71	3
Interest income	(26)	(15)
Interest expense	245	63
Operating profit before working capital changes	3,921	2,237
Inventories	(176)	(868)
Contracts work-in-progress	(1,074)	(638)
Trade receivables	(5,555)	(5,349)
Other receivables and prepayments	(1,008)	(1,365)
Trade payables and accrued liabilities	3,880	912
Other payables	(402)	(2,889)
Cash from (used in) operations	(414)	(7,960)
Interest received	26	15
Interest paid	(245)	(63)
Income taxes paid	(443)	(964)
Net cash from (used in) operating activities	(1,076)	(8,972)
Cash flows from investing activities		
Purchase of property, plant and equipment (note 27)	(7,003)	(3,840)
Increase in fixed deposit with bank	–	(123)
Disposal of plant and equipment	31	–
Acquisitions of subsidiaries - net cash acquired (note 28)	1,031	2,140
Net cash used in investing activities	(5,941)	(1,823)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	12,139	7,844
Proceeds from issuance of shares by subsidiaries to minority shareholders	–	420
Increase/(decrease) in interest-bearing borrowings	141	973
Short-term borrowings	(2,015)	4,190
Repayment of finance leases	(37)	(7)
Net cash from financing activities	10,228	13,420
Net effect of exchange rate changes in consolidation of foreign subsidiaries	(283)	(196)
Net increase in cash	2,928	2,429
Cash at beginning of year	2,429	–
Cash at end of year (note 27)	5,357	2,429

See accompanying notes to the financial statements.

1 GENERAL

The company is incorporated in Singapore. The financial statements are expressed in Singapore dollars. They are drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. The financial statements were approved and authorised for issue by the board of directors on 9 March 2004.

The principal activities of the company are those of investment holding and acting as corporate manager and adviser and administrative centre to support businesses of the company's subsidiaries. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The company is listed on the SGX-ST Dealing and Automated Quotation System ("SESDAQ").

The registered office address of the company is : 41 Loyang Drive, Singapore 508952. The company is domiciled in Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION – The financial statements are prepared under the historical cost convention.

BASIS OF PRESENTATION – The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to 31 December each year of the company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights. All significant intercompany balances and transactions have been eliminated on consolidation. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

GOODWILL – Goodwill or negative goodwill arising on acquisition is based on the purchase method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over a period of between 5 to 15 years.

MINORITY INTERESTS – Minority interests are stated at the appropriate proportion of the post-acquisition values of the identifiable assets and liabilities of the subsidiaries.

SUBSIDIARIES – In the company's own financial statements, the investments in subsidiaries are carried at cost less any provision for impairment in value which is other than temporary.

LONG-TERM CONTRACTS – When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method. Contract costs consist of costs that relate directly to the specific project, costs that are attributable to contract activity in general and can be allocated to the project and such other costs as are specifically chargeable to the customer under the terms of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The long-term work in progress projects have operating cycles longer than one year. The group includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year.

In the previous years, revenues and profits on long-term contracts were brought into account when the contracts were completed or substantially completed. There is no material effect on the financial statements for 2002 as a result of the change of the accounting policy.

REVENUE RECOGNITION – Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. Revenue from rendering of services that are of short duration is recognised when the services are completed. Interest revenue is recognised on a time-proportion basis using the effective interest rate. Dividend revenue is recognised when the shareholders' right to receive the dividend is legally established.

INVENTORIES – Inventories are measured at the lower of cost (weighted average method) and net realisable value.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on gross carrying amounts in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Freehold building	– 2%
Leasehold properties	– 2% to 3.33%
Plant and equipment	– 10% to 33.33%

Depreciation is not provided on freehold land and building under construction.

Fully depreciated assets still in use are retained in the financial statements.

The useful life of an item of property, plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge for the current and future periods are adjusted.

FOREIGN CURRENCY TRANSACTIONS – The functional currency is the Singapore dollar as it reflects the economic substance of the underlying events and circumstances of the company. Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement.

FOREIGN CURRENCY FINANCIAL STATEMENTS – In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements, the assets and liabilities of a self-sustaining operation denominated in currencies other than Singapore dollars are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments are accumulated in a separate component of shareholders' equity until the disposal of the entity. Other currency gains or losses are included in the income statement. The financial statements of a foreign operation are restated in terms of the functional currency unit current at the balance sheet date before they are translated into the presentation currency.

INCOME TAX – The group accounts for income taxes using the asset and liability method which requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised.

RETIREMENT BENEFITS COSTS – Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. Contributions made to government managed retirement benefit plan such as the Central Provident Fund in Singapore which specifies the employer's obligations are dealt with as defined contribution retirement benefit plans.

FINANCE LEASES – A finance lease is recognised as an asset and as liability in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased assets or, if lower, at the present value of the lease payments based on the interest rate implicit in the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are allocated to each lease term so as to produce a constant rate of charge on the remaining balance of the obligations. The assets are depreciated as owned depreciable assets.

ACCOUNTING ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LIABILITIES AND PROVISIONS – A liability and provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

CASH – Cash for the cash flow statement includes cash on hand, cash in banks less bank overdrafts and in time deposits with a maturity of less than three months, as well as other highly liquid funds equivalent to cash money, with an original maturity of less than three months.

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying values of cash, accounts receivable, other current assets, short-term borrowings, accounts payable and other current liabilities approximate their fair market values due to the short-term maturity of these instruments. The fair market value of long-term debt was not determined because the book values approximate the market value.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

CREDIT RISKS OF FINANCIAL ASSETS – Financial assets that potentially subject the group to concentration of credit risks consist principally of cash, cash equivalents and trade and other accounts receivable. The directors believe that the financial risks associated with these financial instruments are minimal. The group places its cash and cash equivalents with high credit quality institutions. The group performs ongoing credit evaluation of its customers' financial condition and maintains a provision for doubtful accounts receivable based upon the expected collectability of all accounts receivable.

OTHER RISKS ON FINANCIAL INSTRUMENTS – The group monitors its interest, foreign exchange risks, and changes in fair values from time to time and any gains and losses are included in the income statement. The group is exposed to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. The group is also exposed to changes in foreign exchange rates and liquidity of businesses. The group does not utilise forward contracts or other arrangements to minimise these risks and it does not utilise forward contracts or other arrangements for trading or speculative purposes. At 31 December 2003 there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

3 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of the group.

Some of the company's transactions and arrangements are between members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements.

The intercompany balances are without fixed repayment terms and interest unless stated otherwise.

4 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and or directors or management. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decision.

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements.

Significant related party transactions :

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following :-

	Group	
	2003 \$'000	2002 \$'000
Professional fees paid – H.T. Hwa & Associates	1	11
Rental expense		
– Calvin Thye, an Executive Officer of the company	7	7
– Perusahaan Adchem Sdn. Bhd.	22	29
Purchases of services		
– Nabbir Laboratory Sdn. Bhd. (a)	(a)	50
– Nabbir Laboratory (KL) Sdn. Bhd. (a)	(a)	9
– Nabbir Laboratory (Johore) Sdn. Bhd. (a)	(a)	15
– Nabbir Laboratory (Sarawak) Sdn. Bhd. (a)	(a)	27
Sales of services		
– Nabbir Laboratory Sdn. Bhd. (a)	(a)	19
– Nabbir Laboratory (Sarawak) Sdn. Bhd. (a)	(a)	4

(a) These companies are no longer related parties of the group in 2003.

5 CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Not restricted in use	5,807	2,984	188	145
Restricted (a)	123	137	–	–
	<u>5,930</u>	<u>3,121</u>	<u>188</u>	<u>145</u>

Analysis of above amount by currencies :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
New Taiwan Dollars	2,559	1,099	–	–
Singapore Dollars	1,124	278	149	143
Chinese Renminbi	1,119	710	–	–
Malaysian Ringgit	938	738	–	–
Philippines Peso	127	200	–	–
Hong Kong Dollars	39	–	–	–
US Dollars	15	96	39	2
Indonesia Rupiah	9	–	–	–
	<u>5,930</u>	<u>3,121</u>	<u>188</u>	<u>145</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2003

Darco Water Technologies Limited & Subsidiaries

5 CASH AND CASH EQUIVALENTS (cont'd)

- (a) This amount has been pledged to a bank as collateral for banking facilities granted to the subsidiary (see note 13 and 31).

The rate of interest for the cash on interest earning accounts is approximately 2.5% (2002: 1.5%) receivable annually.

6 TRADE RECEIVABLES

\$'000	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002
Outside parties (a)	17,661	11,508	40	32
Subsidiaries (Notes 3 and 10)	–	–	556	112
	<u>17,661</u>	<u>11,508</u>	<u>596</u>	<u>144</u>
Total current portion	(16,589)	(10,402)	(596)	(144)
Non-current portion (b)	<u>1,072</u>	<u>1,106</u>	<u>–</u>	<u>–</u>

- (a) Included in the trade receivables of the group is an amount of \$5,944,000 (2002: \$6,264,000) relating to sub-contracting works due from a customer based in Taiwan. The outstanding amount of \$5,944,000 is overdue for progress payments under the terms of the contract and it remains unpaid. An amount of \$4,574,000 out of the total outstanding amount of \$5,944,000 is covered by way of a credit insurance underwritten with a credit insurance company in Singapore. The delay in payment is the result of a delay in the completion of the main contract which the customer is involved in. The directors are satisfied that management has performed an adequate assessment of the ability of the customer to settle the amount owing to the group and are of the view that based on discussions to date the amount due is recoverable.

- (b) The non-current portion represents retention monies held by the above customer which is due for settlement upon expiry of the warranty period of the relevant contract.

Analysis of above amount by currencies :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
New Taiwan Dollars	7,888	276	–	–
US Dollars	6,486	7,549	–	–
Malaysian Ringgit	2,645	1,996	–	–
Singapore Dollars	302	1,221	596	144
Philippines Peso	229	43	–	–
Chinese Renminbi	111	423	–	–
	<u>17,661</u>	<u>11,508</u>	<u>596</u>	<u>144</u>

6 TRADE RECEIVABLES (cont'd)

The average credit period taken by customers of the group is 177 (2002: 188) days. The directors consider that the carrying amount of trade receivables approximates to their fair value. Short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant.

Concentration of customers:

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Top 1 customer	7,016	7,370	–	–

7 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Subsidiaries (Notes 3 and 10)	–	–	21,277	11,042
Advance payments to suppliers	25	530	–	–
Deposits to secure services	314	347	56	250
Prepayments	1,298	115	–	–
Tax refundable	193	56	–	–
Sundry recoverable	1,100	788	–	12
	2,930	1,836	21,333	11,304

Analysis of above amount by currencies :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
US Dollars	862	–	–	250
New Taiwan Dollars	736	152	–	–
Chinese Renminbi	474	547	–	–
Malaysian Ringgit	354	304	–	–
Singapore Dollars	279	780	21,333	11,054
Indonesia Rupiah	189	50	–	–
Philippines Peso	36	3	–	–
	2,930	1,836	21,333	11,304

Included in prepayment is an amount of \$862,000 (or US\$500,000) which relates to a refundable deposit paid to a third party vendor for the group's (through Darco Engineering Pte Ltd) acquisition of 10% interests, comprising 150,000 ordinary shares of Rupiah1 each, in PT Air Bintan Biru, a company incorporated in the Republic of Indonesia. The total consideration is \$5,100,000 (or US\$3,000,000). The remaining consideration \$4,260,000 (or US\$2,500,000) is payable upon the fulfilment of certain conditions in the sale and purchase agreement. As at the date of this report, the conditions have yet to be fulfilled by the vendor (see also note 32(c)).

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8 INVENTORIES

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Goods for resale, at cost	1,673	995	–	–

9 CONTRACTS WORK-IN-PROGRESS

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Costs incurred and attributable profits	16,718	347	–	–
Less: progress payments received and receivable included in trade receivables	(15,400)	(103)	–	–
Net balance	1,318	244	–	–

10 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 \$'000	2002 \$'000
Unlisted equity shares, at cost	6,317	5,317
Net book value of subsidiaries	9,828	6,746

The net book value of the subsidiaries are used as the fair values as it is impracticable to determine reliable fair value for the unlisted equity shares by other methods.

10 INVESTMENTS IN SUBSIDIARIES (cont'd)

The subsidiaries as at 31 December 2003 are :-

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	Percentage of equity held		Cost in books of company	
	2003 %	2002 %	2003 \$'000	2002 \$'000
<u>Held by the company</u>				
Darco Engineering Pte Ltd Singapore Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business (Chio Lim & Associates)	100	100	2,679	2,679
Singaway Fluidcontrols Private Limited Singapore Trading and supply of chemicals, electrical controls, instruments and apparatus used in water treatment systems (Chio Lim & Associates)	100	100	100	100
Darco Environmental Pte Ltd Singapore Investment holding (Chio Lim & Associates)	100	100	100	200
Darco Water Systems Sdn. Bhd. Malaysia Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business (Horwath Mok & Poon) (a)	100	100	2,338 (RM4,802)	2,338 (RM4,802)
PV Vacuum Engineering Pte Ltd (acquired on 25 March 2003) Singapore Design and supply of environmental related equipment (Tan, Teo & Partners) (b)	60	—	1,000	—
			6,317	5,317

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10 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	Percentage of effective interest	
	2003 %	2002 %
<u>Held through Darco Engineering Pte Ltd</u> Shanghai Darco Engineering Company Limited The People's Republic of China Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Shanghai ShangZi Certified Public Accountants Co., Ltd) (b)	100	100
<u>Held through Darco Environmental Pte Ltd</u> Darco Environmental (Taiwan) Inc Taiwan Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Unaudited) (c)	60	60
P.T. Darco Indonesia Indonesia Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Heliantono & Rakan) (b)	75	75
Darco Environmental (Philippines) Inc The Philippines Design, installation and commissioning of treatment systems for water purification, treatment of wastewater and other waste discharge for industrial use (Fernandez, Santos & Lopez) (b)	65	65
Shanghai Challenge Environmental Technology Co., Ltd The People's Republic of China Design, fabrication, installation and commissioning of environmental engineering system and providing consultancy services in relation to such business (Shanghai Shang Nan Certified Public Accountants Co., Ltd) (b)	100	100
Darco Engineering (Taiwan) Inc Taiwan Design, fabrication, installation of water and waste water pollution control engineering; air pollution control engineering; solid waste disposal treatment and incineration; noise and vibration prevention engineering; soil pollution control engineering; environmental monitoring system (Deloitte & Touche) (b)	100	100
Globe Industrial Technology Company Ltd Hong Kong Investment holding (W.K. Ang & Co) (b)	75	75

10 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	Percentage of effective interest	
	2003 %	2002 %
<u>Held through Darco Water Systems Sdn. Bhd.</u>		
Darco System (M) Sdn. Bhd. Malaysia Designing, fabrication and constructing pure and waste water treatment plants and trading in related industrial products (Horwath Mok & Poon) (a)	100	100
Darco Industrial Water Systems Sdn. Bhd. Malaysia Designing, installing, setting up and maintaining of industrial waste treatment plant ultra pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment equipment, spare parts and chemicals (Horwath Teoh Yap) (a)	100	100
WWMG Environmental Sdn. Bhd. Malaysia Dormant (Horwath Mok & Poon) (a)	100	100
<u>Held through Globe Industrial Technology Company Ltd</u>		
Deqing Huanzhong Producing Water Co., Ltd The People's Republic of China Supply of potable water (Deqing Tianqin Certified Public Accountants Co. Ltd) (b)	72.59	72.59
(a) Member firms of Horwath International of which Chio Lim & Associates, Singapore is a member.		
(b) Other auditors, firms of accountants other than member firms of Horwath International of which Chio Lim & Associates, Singapore is a member.		
(c) Not audited as an audit is not required according to the laws in the country of incorporation and are immaterial.		

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11 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Freehold building \$'000	Leasehold properties \$'000	Plant and equipment \$'000	Building under construction \$'000	Total \$'000
Cost:						
At beginning of year	295	748	1,931	2,185	505	5,664
Foreign exchange adjustments	(7)	(17)	(8)	(38)	(12)	(82)
Additions	–	–	385	2,382	6,158	8,925
Arising from acquisition						
of subsidiary	–	–	–	96	–	96
Disposals	–	–	–	(55)	–	(55)
At end of year	288	731	2,308	4,570	6,651	14,548
Accumulated depreciation :						
At beginning of year	–	25	27	583	–	635
Foreign exchange adjustments	–	–	–	(16)	–	(16)
Depreciation for the year	–	15	53	637	–	705
Arising from acquisition						
of subsidiary	–	–	–	8	–	8
Disposals	–	–	–	(11)	–	(11)
At end of year	–	40	80	1,201	–	1,321
Depreciation for last year	–	15	27	307	–	349
Net book value :						
At beginning of year	295	723	1,904	1,602	505	5,029
At the end of year	288	691	2,228	3,369	6,651	13,227

Certain items of plant and equipment are under finance lease agreements (see note 17).

The group owns the following properties :

Location	Description and tenure	Gross land area (sqm)	Gross built-in area (sqm)	Use of property
41 Loyang Drive, Singapore 508952 (a)	JTC standard terrace/detached factory 30-years lease with effect from 1 April 2002	2,320	1,010	Office, factory and warehouse
No. 20 Lorong Pala 4, Kawasan Industri Ringgan Permatang Tinggi, 14000 Bukit Mertajam, Pulau Pinang, Malaysia (Lot No. 7808, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia (b)	Freehold 1½ storey semi-detached light industrial factory	622	290	Factory

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Location	Description and tenure	Gross land area (sqm)	Gross built-in area (sqm)	Use of property
Lot No.PT16724, H.S(D)1100898, Arab Malaysia Industrial Park, Nilai Mukim of Setul, Daerah Seremban, Negeri Sembilan Darul Khusus, Malaysia (c)	Freehold land	4,572	1,512	Office factory and warehouse
Songkai No.III-32, Songjiang Development Zone, Shanghai, The People's Republic of China (d)	50 years leasehold land with effect from 30 April 2002	6,960	– (d)	Office, factory and warehouse

Notes:

- (a) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco Engineering Pte Ltd (note 13).
- (b) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco Industrial Water Systems Sdn. Bhd. (note 13).
- (c) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco System (M) Sdn. Bhd. (note 13).
- (d) A subsidiary, Shanghai Darco Engineering Company Limited secured the land use rights for the purpose of constructing an office, factory and warehouse building. As at 31 December 2003, the building has yet to be completed (note 32d).

12 GOODWILL

	Group \$'000	Company \$'000
Cost:		
At beginning of year	532	–
Arising from acquisition of subsidiary (note 28)	612	–
At end of year	<u>1,144</u>	<u>–</u>
Accumulated amortisation:		
At beginning of year	(3)	–
Amortisation for the year	(71)	–
At end of year	<u>(74)</u>	<u>–</u>
Amortisation for last year	<u>3</u>	<u>–</u>
Net book value:		
At beginning of year	<u>529</u>	<u>–</u>
At end of year	<u>1,070</u>	<u>–</u>

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13 SHORT-TERM BORROWINGS

	\$'000	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002
Bank overdraft (secured)		450	569	–	–
Bank loans (secured)		–	550	–	550
Bills payable to banks (secured)		2,175	3,640	2,123	3,374
Total short-term borrowings		<u>2,625</u>	<u>4,759</u>	<u>2,123</u>	<u>3,924</u>

Analysis of above amount by currencies:

	\$'000	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
US Dollars		2,123	3,375	2,123	3,374
Singapore Dollars		415	952	–	550
New Taiwan Dollars		87	–	–	–
Malaysian Ringgit		–	150	–	–
Euro Dollars		–	282	–	–
Total short-term borrowings		<u>2,625</u>	<u>4,759</u>	<u>2,123</u>	<u>3,924</u>

Bills payable of \$2,123,000 (2002: \$3,374,000) are covered by an assignment of credit insurance policy and a negative pledge on the group's assets and trade receivables.

The rates of interest for bank loans are between 2.47% to 2.68% per annum for financial year 2002. The bank loans have been fully repaid during the year.

Bank overdrafts and bills payable of \$2,625,000 (2002: \$266,000) bear interest at rates ranging from 3.25% to 6.125% (2002: 2.47% to 6.125%) per annum and are secured by way of :-

- (i) a fixed and floating charge on all assets of a subsidiary;
- (ii) a second legal mortgage over a property registered in the name of third party for certain subsidiaries;
- (iii) a legal charge over the freehold land, freehold building and leasehold properties of certain subsidiaries (note 11);
- (iv) the pledge of certain fixed deposits of a subsidiary (note 5);
- (v) the joint and several guarantees of the directors of certain subsidiaries; and
- (vi) a corporate guarantee by the company.

14 TRADE PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Outside parties	6,067	1,937	–	–
Accrued directors' fees	55	25	55	25
Accrued liabilities	572	221	43	66
	<u>6,694</u>	<u>2,183</u>	<u>98</u>	<u>91</u>

Analysis of above amount by currencies:

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
US Dollars	3,342	944	–	–
New Taiwan Dollars	1,154	188	–	–
Malaysian Ringgit	1,139	507	–	–
Singapore Dollars	635	516	98	91
Chinese Renminbi	267	–	–	–
Japanese Yen	98	–	–	–
Philippines Pesos	35	28	–	–
Indonesia Rupiah	24	–	–	–
	<u>6,694</u>	<u>2,183</u>	<u>98</u>	<u>91</u>

The average credit period taken by the group to settle payables is about 107 (2002 : 53) days.

15 OTHER PAYABLES

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Subsidiaries (Notes 3 and 10)	–	–	208	33
Sundry payables	595	104	–	–
	<u>595</u>	<u>104</u>	<u>208</u>	<u>33</u>

Analysis of above amount by currencies:

	\$'000	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002
New Taiwan Dollars		445	–	–	–
Singapore Dollars		150	104	208	33
		<u>595</u>	<u>104</u>	<u>208</u>	<u>33</u>

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16 INTEREST-BEARING BORROWINGS

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Term loan I	833	933	–	–
Term loan II	54	68	–	–
Term loan III	255	–	–	–
Total long-term borrowings	1,142	1,001	–	–
Total current portion	(181)	(113)	–	–
Non-current portion	961	888	–	–

The non-current portion is repayable as follows :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Due within 2 to 5 years	628	455	–	–
Due after 5 years	333	433	–	–
Total non-current portion	961	888	–	–

Analysis of above amount by currencies :

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Singapore Dollars	834	933	–	–
Malaysian Ringgit	308	68	–	–
	1,142	1,001	–	–

Term loan I

The loan is secured by a legal mortgage over the group's leasehold properties (note 11) and joint and several guarantees by the directors of the company. The interest rate is 5% (2002: 4.75%) per annum. The loan is repaid over 120 monthly instalments of \$8,333.33 (excluding interest), commencing from May 2002.

Term loan II

The loan bears interest at 8.4% (2002 : 8.4%) per annum and is secured in the same manner as the short-term borrowings as disclosed in note 13 to the financial statements. The loan is repayable by 120 equal monthly instalments of \$1,550 (excluding interest) commencing from 1 December 1998.

Term loan III

The loan bears interest at 5.0% (2002:Nil) per annum and is secured in the same manner as the short-term borrowings as disclosed in note 13 to the financial statements. The loan is repayable by 120 equal monthly instalments of \$5,975 with effect from 31 May 2003.

17 OBLIGATIONS UNDER FINANCE LEASES

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
2003			
Minimum lease payments payable:			
Due within one year	28	(2)	26
Due within 2 to 5 years	23	(2)	21
	<u>51</u>	<u>(4)</u>	<u>47</u>
Net book value of plant and equipment under finance leases			<u>64</u>
2002			
Minimum lease payments payable:			
Due within one year	23	(2)	21
Due within 2 to 5 years	50	(6)	44
	<u>73</u>	<u>(8)</u>	<u>65</u>
Net book value of plant and equipment under finance leases			<u>83</u>

It is a group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. The rates of interest for finance leases is about 3.5% (2002 : 3.5%) per year. Interest rate are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in S\$. The fair value of the lease obligations approximates to their carrying amount. The obligations under finance leases are secured by the lessor's charge over the group's leased assets.

18 ISSUED CAPITAL

	Group and Company	
	2003 \$'000	2002 \$'000
Authorised:		
300,000,000 ordinary shares of \$0.05 each	<u>15,000</u>	<u>15,000</u>
Issued and fully paid:		
181,189,517 (2002 : 148,956,380) ordinary shares of \$0.05 each	<u>9,060</u>	<u>7,448</u>

During the year, the company:

- (i) issued 2,233,137 ordinary shares of \$0.05 each at an issue price of \$0.4478 per share as consideration for the acquisition of 150,000 ordinary shares in the share capital of PV Vacuum Engineering Pte Ltd.
- (ii) issued 30,000,000 ordinary shares of \$0.05 each by way of placement shares at an issue price of \$0.425 per share for cash and the proceeds were used as working capital.

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19 REVENUE

	Group	
	2003 \$'000	2002 \$'000
Sales of goods	1,631	1,581
Rendering of services	11,663	6,369
Amount recognised from long-term contracts	20,829	12,254
	<u>34,123</u>	<u>20,204</u>

20 OTHER OPERATING INCOME

	Group	
	2003 \$'000	2002 \$'000
Interest income from non-related companies	26	15
Miscellaneous income	48	42
	<u>74</u>	<u>57</u>

21 OTHER CREDITS/(CHARGES)

	Group	
	2003 \$'000	2002 \$'000
Amortisation of goodwill	(71)	(3)
Bad debts written off on trade receivables	–	(2)
Foreign exchange adjustment gain	(157)	11
Loss on disposal of plant and equipment	(14)	–
Misappropriation of funds by a subsidiary's employee (note 34)	(319)	(180)
Pre-operating expenses written off	(19)	(57)
	<u>580</u>	<u>(231)</u>

22 FINANCE COSTS

	Group	
	2003 \$'000	2002 \$'000
Interest expense on finance lease	2	1
Interest expense on bank borrowings	243	62
	<u>245</u>	<u>63</u>

23 PROFIT BEFORE INCOMETAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges/(credits):-

	Group	
	2003 \$'000	2002 \$'000
Auditors' remuneration		
– company's auditors	43	35
– other auditors	47	17
Other fees to company's auditors	9	16
Directors' remuneration		
– directors of the company	330	316
– directors of the subsidiaries	377	272
Changes in inventories	(176)	(868)
Raw materials and consumables used	10,066	14,248
Depreciation expense	705	349

24 INCOME TAX EXPENSES

	Group	
	2003 \$'000	2002 \$'000
Current	446	192
Deferred	66	18
	512	210

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 22% to profit before income tax as a result of the following differences:

	Group	
	2003 \$'000	2002 \$'000
Income tax expense at statutory rate	641	404
Non-allowable items	89	34
Underprovision in prior years	34	–
Tax exemptions of foreign subsidiaries	(450)	(359)
Other items less than 3% each	198	131
Total income tax expense	512	210

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24 INCOME TAX EXPENSES (cont'd)

The net deferred tax amount in the balance sheet is as follows:

	\$'000	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002
Deferred tax liabilities:					
Excess of net book value of property, plant and equipment		140	91	–	–
Total deferred tax liabilities		<u>140</u>	<u>91</u>	<u>–</u>	<u>–</u>
Deferred tax assets:					
Foreign exchange adjustments		19	7	–	–
Unabsorbed wear and tear allowances		13	50	–	–
Tax losses carryforwards		11	–	–	–
		<u>43</u>	<u>57</u>	<u>–</u>	<u>–</u>
Deferred tax assets valuation allowance		(18)	(15)	–	–
Total deferred tax assets		<u>25</u>	<u>42</u>	<u>–</u>	<u>–</u>
Net total deferred tax liabilities		<u>115</u>	<u>49</u>	<u>–</u>	<u>–</u>

An allowance is made to the extent that it is not probable that taxable profit will be available against which the unused tax losses can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. Where provision for deferred tax arising from temporary differences has been offset against the above tax loss carryforwards, such provision for deferred tax will be required to be set up when the tax losses are utilised in the future.

At the balance sheet date, no deferred tax liability has been recognised on certain amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised is not significant. No liability has been recognised because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

There is no income tax consequences of dividends to shareholders of the company.

25 STAFF COSTS

	Group	
	2003 \$'000	2002 \$'000
Staff costs including executive directors	5,025	3,863
Contribution to defined contribution plans	510	168
Total staff costs	<u>5,535</u>	<u>4,031</u>

26 NUMBER OF EMPLOYEES

	2003	Group	2002
Number of employees including executive directors	317		228

27 CASH IN THE CONSOLIDATED CASH FLOW STATEMENT

	2003 \$'000	Group	2002 \$'000
Cash and cash equivalents	5,930		3,121
Bank overdraft (secured)	(450)		(569)
	<u>5,480</u>		<u>2,552</u>
Fixed deposit pledge with bank	(123)		(123)
	<u>5,357</u>		<u>2,429</u>

NON-CASH TRANSACTIONS -

Additions to plant and equipment during the year amounting to \$19,000 (2002: \$72,000) were financed by finance leases.

During the financial year the minority shareholders of the subsidiary increased its share capital by contributing land amounting \$1,815,000 (or RMB8,853,000).

28 ACQUISITIONS OF SUBSIDIARIES

	Group 2003 \$'000
Summary of effect of acquisitions of subsidiary, PV Vacuum Engineering Pte Ltd:-	
Cash and cash equivalents	1,031
Trade receivables	598
Other receivables and prepayments	86
Inventories	502
Plant and equipment	88
Goodwill	612
Trade payables and accrued liabilities	(632)
Other payables	(893)
Income tax payable	(89)
Deferred tax liabilities	(6)
Minority interests	(297)
Total purchase consideration	<u>1,000</u>
Acquisitions by way of share issue	(1,000)
Cash and cash equivalents taken over	<u>1,031</u>
Net cash inflow from acquisitions	<u>1,031</u>

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28 ACQUISITIONS OF SUBSIDIARIES (cont'd)

The contribution from the subsidiary for the period between the date of acquisition and the balance sheet date were as follows:

	Group 2003 \$'000
Revenue	2,410
Profit before income tax	<u>433</u>

29 EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders of \$2,345,000 (2002: \$1,714,000) by the weighted average number of 173,689,517 (2002: 80,254,630) ordinary shares of \$0.05 each in issue during the year.

30 OPERATING LEASE COMMITMENTS

	\$'000	Group		Company	
		2003 \$'000	2002 \$'000	2003 \$'000	2002
Within 1 year		465	151	–	–
Within 2 to 5 years		1,647	208	–	–
After 5 years		883	1,205	–	–
		<u>2,995</u>	<u>1,564</u>	<u>–</u>	<u>–</u>
Rental for the year		<u>227</u>	<u>122</u>	<u>–</u>	<u>–</u>

Operating lease payments represent rentals payable by the group for leasehold land. The lease rental terms are negotiated for a term of between 1 to 50 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amounts.

31 CONTINGENT LIABILITIES

	Group		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Letters of credit	741	1,851	741	1,851
Bank guarantees in favour of a subsidiary (Note 5)	6,909	–	6,909	2,305
	<u>7,650</u>	<u>1,851</u>	<u>7,650</u>	<u>4,156</u>

The maximum estimated amount the group could become liable is as shown above.

32 CAPITAL EXPENDITURE COMMITMENTS

	2003 \$'000	Group 2002 \$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements	11,543	13,936
Approved but not yet contracted for	4,260	4,438
	<u>15,803</u>	<u>18,374</u>

- (a) Deqing Huanzhong Producing Water Co., Ltd ("Deqing") which is held by the group through Darco Environmental Pte Ltd and Globe Industrial Technology Company Ltd, entered into a contract in 2002 with a third party for the construction of a BOT (Build-Operate-and-Transfer) water treatment project in Deqing County, Zhejiang Province, the People's Republic of China. To finance the operation of Deqing, the group has committed to contribute \$13,374,000 (or US\$7,894,000) to the capital of Deqing. As at 31 December 2003, the group's investment in Deqing amounted to \$4,691,000 (or US\$2,769,000), with the remaining amount of \$8,683,000 (or US\$5,125,000) to be fully paid up by September 2004.
- (b) During the year, the group, through Darco Environmental Pte Ltd, is committed to increase the share capital of Darco Engineering (Taiwan) Inc to \$3,710,000 (or NT75,000,00) by contributing additional share capital of \$2,424,000 (or NT49,000,000) by December 2004.
- (c) As disclosed in note 7, the group, through Darco Engineering Pte Ltd, committed acquire 10% interest in PT Air Bintan Biru for a consideration of \$5,100,000. As at 31 December 2003, a refundable deposit of \$892,000 has been paid with the remaining \$4,260,000 payable upon fulfilment of certain conditions set out in the sale and purchase agreement.
- (d) As disclosed in note 11, the group has a building which has yet to be completed. The estimated cost to completion is \$436,250 (or US\$250,000).

33 FINANCIAL INFORMATION BY SEGMENTS

Segment reporting policy

A segment is a distinguishable component of the group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the group. Information for geographical segments is based on the geographical location of the principal places of business.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

Darco Water Technologies Limited & Subsidiaries

33 FINANCIAL INFORMATION BY SEGMENTS (cont'd)

Business segments

The group's business activities are segmented as follows:-

- (i) EW Systems – Designs, fabricates, assembles, installs and commission engineered water systems (“EW Systems”) for industrial applications;
- (ii) WM Services – Services and maintains product water and wastewater systems (“WM Services”); and
- (iii) Trading – Trades and supplies chemicals, electrical controls and related instruments used in water treatment systems.

Group	EW Systems		WM Services		Trading		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
REVENUE								
External sales	20,829	12,254	11,663	6,370	1,631	1,580	34,123	20,204
RESULTS								
Segment results	1,341	185	1,451	1,561	120	91	2,912	1,837
Unallocated corporate expenses	–	–	–	–	–	–	–	–
Profit before income tax	1,341	185	1,451	1,561	120	91	2,912	1,837
Income tax expenses							(512)	(210)
Profit after income tax							2,400	1,627
Capital expenditure	5,507	2,373	3,083	1,233	335	306	8,925	3,912
Depreciation and amortisation	474	215	265	110	37	27	776	352
BALANCE SHEET								
ASSETS								
Segment assets	19,169	12,614	2,041	1,440	853	856	22,063	14,910
Unallocated corporate assets							21,746	8,352
Consolidated total assets							43,809	23,262
LIABILITIES								
Segment liabilities	7,870	5,533	348	326	499	154	8,717	6,013
Unallocated corporate liabilities							2,617	2,166
Consolidated total liabilities							11,334	8,179

33 FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

Geographical segments

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.

Group	Singapore		Malaysia		China		Taiwan		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE												
External sales	4,674	4,229	10,675	7,816	8,070	-	9,774	7,802	930	357	34,123	20,204

OTHER INFORMATION

Segment assets	7,339	4,613	13,721	12,236	10,505	2,692	11,414	1,700	830	2,021	43,809	23,262
Capital expenditure	92	2,129	410	851	7,861	788	547	92	15	52	8,825	3,912

NOTES TO FINANCIAL STATEMENTS

31 December 2003

Darco Water Technologies Limited & Subsidiaries

34 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, one of the group's subsidiaries, Darco Industrial Water Systems Sdn. Bhd. lodged a police report and took a legal action against one of its employees on suspicion of falsifying payroll documents submitted to the bank and possible misappropriation of funds belonging to Darco Industrial Water Systems Sdn. Bhd. into that employee's personal bank account. Based on initial investigation, the acts took place from the financial year ended 31 December 2000 to 2003 and the aggregate sum involved amounted to \$620,000 (or RM1,383,000). The breakdown is as follows:

	S\$'000	RM'000
Financial year ended 31 December 2000	22	49
Financial year ended 31 December 2001	99	221
Financial year ended 31 December 2002	180	402
Financial year ended 31 December 2003	319	711
	<u>620</u>	<u>1,383</u>

The above amounts had been reflected as payroll expenses in the respective financial years. No assets have been recognised in respect of the amounts which are contingent in nature as the recoverability of the amounts are not certain as at the date of this report.

In view of the matter arose, reclassifications have been made to the prior year's financial statements as follows:

	After reclassification \$'000	Before reclassification \$'000	Difference \$'000
Administrative expenses	(2,839)	(3,019)	(180)
Other credits/(charges)	(231)	(51)	180

35 CHANGES AND ADOPTION OF ACCOUNTING STANDARDS

For the year ended 31 December 2003 the new following accounting standards were adopted for were adopted the first time:

Revision to FRS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries (effective from 1 July 2002).

FRS 34 Interim Financial Reporting (effective from 1 October 2002).

The accounting standards were previously known as Statements of Accounting Standards in Singapore. These have been replaced by the Singapore Financial Reporting Standards from 1 January 2003 which were issued following legislative changes to make compliance with accounting standards a legal requirement. However, the new standards did not affect the results for the current or prior periods.

Authorised Share Capital	S\$15,000,000
Issued and Fully Paid Capital	S\$9,059,475.85
Class of Equity Security	Ordinary share of \$0.05 each fully paid
Voting Rights of Ordinary Shareholders	On show of hands : 1 vote for each member On a poll : 1 vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	8	0.03	865	0.00
1,000 – 10,000	1,681	65.48	9,317,250	5.14
10,001 – 1,000,000	857	33.39	36,155,575	19.96
1,000,001 and above	21	0.82	135,715,827	74.90
Total	2,567	100.00	181,189,517	100.00

SHARE HOLDING HELD IN HANDS OF PUBLIC

As at 16 March 2004, approximately 46.04% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

Twenty Largest Shareholders

Name	No. of Shares	%
1 UOB Kay Hian Pte Ltd	32,908,856	18.16
2 Thye Kim Meng	29,197,855	16.11
3 Lim & Tan Securities Pte Ltd	14,516,000	8.01
4 Lee Sue Lin	7,594,800	4.19
5 Teh Swee Heng	7,444,820	4.11
6 Waterworth Pte Ltd	6,500,000	3.59
7 Thye Kim Fah	5,312,140	2.93
8 HL Bank Nominees Pte Ltd	3,955,000	2.18
9 Ecco Engineering Company Ltd	3,333,333	1.84
10 OCBC Bank Nominees Pte Ltd	3,287,000	1.81
11 Khoo Kah Leong	3,250,925	1.79
12 Khoo Kah Hoe	2,590,925	1.43
13 OCBC Securities Private Ltd	2,574,000	1.42
14 Yeoh Choo Seng	2,288,000	1.26
15 Thye Kim Loy	2,164,840	1.19
16 United Overseas Bank Nominees Pte Ltd	1,870,000	1.03
17 G K Goh Stockbrokers Pte Ltd	1,581,000	0.87
18 Huang Tung Ho	1,580,000	0.87
19 Citibank Consumer Nominees Pte Ltd	1,345,000	0.74
20 DBS Nominees Pte Ltd	1,268,000	0.70
Total	134,562,494	74.23

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares of \$0.05 each fully paid (as at 16 March 2004)			
	Direct Interest	Deemed Interest	Total	%
Thye Kim Meng	29,197,855	34,597,856	63,795,711	35.21
Lim & Tan Securities Pte Ltd	11,131,000	N.A.	11,131,000	6.14
Teh Swee Heng	7,444,820	N.A.	7,444,820	4.11
Lee Sue Lin	7,594,800	N.A.	7,594,800	4.19

**DARCO WATER TECHNOLOGIES LIMITED**

(Incorporated in Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 18 Cross Street, 8th Floor Marsh & McLennan Centre, Singapore 048423 on Monday, 26 April 2004 at 10:30 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2003 and the Auditors' Report thereon. Resolution 1

2. To approve the payment of Directors' fees for the year ended 31 December 2003. Resolution 2

3. To re-elect the following Directors, each of whom will retire by rotation pursuant to the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:
 - (a) Mr Daniel Cuthbert Be Huat Hock (Article 107) Resolution 3
 - (b) Mdm Hwa Hsueh Tsing (Article 107) Resolution 4

Mr Daniel Chuthert Ee Huat Hock will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Ruel 704(8) of the Listing Manual of The Singapore Exchange Securities Trading Limited.

Mdm Hwa Hsueh Tsing will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of The Singapore Exchange Securities Trading Limited.

4. To re-appoint Messrs Chio Lim & Associates as Auditors and to authorise the Directors to fix their remuneration. Resolution 5

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without any modifications, the following resolution as Ordinary Resolution:

5. **Ordinary Resolution : Authority to allot and issue shares up to 50% of the Company's issued share capital** "That pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the directors of the Company to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit provided always that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution, does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20% of the issued share capital of the Company and for the purpose of this Resolution, the issued share capital shall be the Company's issued share capital at the time this Resolution is passed (after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed and any subsequent consolidation or sub-division of the Company's shares) and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." Resolution 6
6. To transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Notes:

- (i) Resolution 6, if passed, will empower the directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities which the directors may allot and issue under this Resolution would not exceed 50 per cent of the issued share capital of the Company at the time this Resolution is passed. For allotment and issue of shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed 20 per cent of the total issued share capital of the Company at the time this Resolution is passed.

BY ORDER OF THE BOARD

Low Mei Mei Maureen
Company Secretary

Singapore: 8 April 2004

Proxies :

A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 41 Loyang Drive, Singapore 508952 not less than 48 hours before the time set for the Annual General Meeting.



DARCO WATER TECHNOLOGIES LIMITED
(Incorporated in Singapore)

PROXY FORM

Important

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____ (Address)

being a member/members of Darco Water Technologies Limited (the "Company") hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 18 Cross Street, 8th Floor Marsh & McLennan Centre, Singapore 048423 on Monday, 26 April 2004 at 10:30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	ORDINARY BUSINESS To receive and consider Directors and Auditors' Reports and Audited Accounts		
2	To approve payment of Directors' fees		
3	To re-elect Director – Mr Daniel Cuthbert Ee Huat Hock		
4	To re-elect Director – Mdm Hwa Hsueh Tsing		
5	To re-appoint Auditors		
6	SPECIAL BUSINESS To authorise Directors to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50		

Dated this _____ day of _____ 2004.

Total number of Shares held

Signature(s) of member(s) or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 41 Loyang Drive, Singapore 508952 not later than 48 hours before the time set for the Annual General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.



DARCO WATER TECHNOLOGIES LIMITED

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