DARCO

SOLUTIONS TO WATER & WASTE

ANNUAL REPORT 2011

advancingourgrowth

contents

chairman's statement

The developments in Darco over the past year reflects our Group's resilience and determination during this trying period. We are heartened at our continuous progress, which serves as a testament to our tenacity in overcoming severe stress. As a responsible organization, we will remain vigilant and continuously review and improve upon existing practices as we strive to better ourselves for tomorrow.

I am therefore pleased to present the Audited Financial Statements ended 31 December 2011.

Overall, we generated revenue of S$62.0 million with Engineered Water Systems maintaining its position as our core revenue contributor, contributing S$42.1 million. During the year, we secured several industrial turnkey projects from a variety of industries, mainly the electronic, packaging and solar power manufacturing facilities across Malaysia, China, Taiwan and Singapore. We will continue to leverage on our expertise to cater to diverse industries seeking waste and water treatment, enabling the Group to better harness business opportunities present in the industrial sector.

The audited financial statements contain the auditor's opinions as a consequence of circumstances beyond the control of our Group and relating to the nature and timing of their work. However, we hope the results have brought clarity to our financial position and the state of affairs of the Group.

China

With the support of shareholders, the Group sold 60% stake in Darco Environmental Pte Ltd ("DNV") for RMB95.8 million in July 2012, at a gain of approximately S$12.5 million on disposal.

The subsidiary was sold to Salcon Berhad ("Salcon"), a listed company on the Main Market of Bursa Malaysia Securities Berhad, principally engaged in the business of water and wastewater engineering. Salcon owns and operates 13 water and wastewater and treatment projects in China, located in cities such as Changle County, Nanan, Haining, Linyi and Yizheng.

DNV holds an indirect shareholding interest of 88.3% in the Wukang water treatment plant and a direct shareholding interest of 100% in the Qian Yuan water treatment plant. The Wukang and Qian Yuan water

chairman's statement

treatment plants are under service concession arrangements to supply treated water to Deqing County for a period of 22 years and 25 years respectively. With the commencement of the Qian Yuan water treatment plant in 2011, both projects are contributing to the Group's operating cash flow.

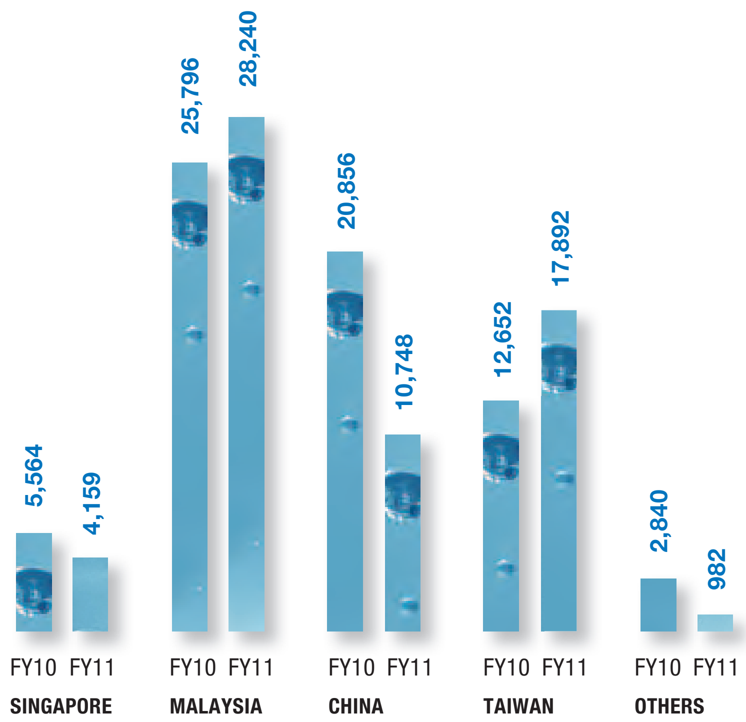
Through the disposal of DNV, the Group will be able to unlock higher shareholder value to raise funds for new projects and businesses, repay existing bank borrowings and improve the Group's cash position. In line with our asset-light strategy, Darco will form a strategic alliance with Salcon to provide expertise in integrated engineering and knowledge-based industrial water treatment solutions for their existing and future plants.

Taiwan

Consequent to the misappropriation of funds in Taiwan, the Group has to complete several loss making contracts secured during that period. We expect these jobs to be completed by the end of FY2012, contributing to better margins moving forward.

Taiwan, in particular the industrial sector, continues to be an exciting market for Darco. We remain committed to strengthen our presence in the country by leveraging on our experience and expertise to clinch more projects.

SALES BY GEOGRAPHICAL MARKETS ($'000)



TOTAL ASSETS ($'000)

SHAREHOLDERS' EQUITY ($'000)

chairman's statement

Malaysia

In FY2011, we secured an increased number of waste and water management contracts with the relocation of several customers' manufacturing facilities from across Asia to Malaysia. With more relocation in the pipeline, we expect higher demand for our services in FY2012, further strengthening our reputation as a comprehensive one-stop provider for diverse industries seeking waste and water treatment.

Singapore

In April 2012, we completed the sale of our Singapore manufacturing plant at 41 Loyang Drive for a consideration of S$3.4 million. Following the re-location of the Group's manufacturing plant to Malaysia and China, the property was no longer needed. The net proceeds raised have been used to boost working capital and repay existing indebtedness.

OUTLOOK

Moving forward, we will continue to promote our industrial water and waste treatment expertise while building on our track record in new segments. Tapping on our proficiency in handling different treatment methods, our independent engineering services ensures that our interests are aligned with customers, appealing a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverages. Instead of focusing on a specific waste or water treatment method, our practice of recommending the best treatment solutions has won us many repeat customers.

Industrial projects are ideal as they offer high margins without any capital outlay necessary. This asset-light strategy will enable us to secure more projects whilst maintain a healthy financial position. Having raised a total of around S$22.5 million in FY2012 from the sale of our Singapore manufacturing plant and the 60% stake in DNV, the Group is in a better position to obtain favourable financing rates.

While the journey ahead will remain challenging in light of the uncertain economic situation, we will continue to push our boundaries and focus on strengthening our core expertise to gain new grounds. With the close of this chapter, I believe Darco will emerge stronger and well-poised to tap into new opportunities ahead.

IN APPRECIATION

I would like to express my sincere appreciation to our shareholders, directors, partners, suppliers and customers. Thank you for your unfailing support and loyalty through these trying times.

I would like to acknowledge too, the invaluable contributions of Mr Robert Wong, Non-Executive Independent Director who has resigned from the board to pursue personal interest. We would like to welcome Ms Teo Sin Yng, who joined us as an Executive Director in May 2011. She will be able to provide process design and procurement expertise to the Group.

To all the Darco staff, I would like to thank you for your efforts and dedication. More importantly, thank you for your zeal and belief that together as a team, we are able to overcome all challenges to achieve greater heights.

THYE KIM MENG
Chairman and Managing Director

corporate profile

ESTABLISHED IN 1999, DARCO WATER TECHNOLOGIES DESIGNS AND DELIVERS ENGINEERED SOLUTIONS FOR WATER AND WASTEWATER SYSTEMS FOR INDUSTRIAL AND MUNICIPAL CUSTOMERS. ITS CORE MANAGEMENT TEAM HAS MORE THAN 18 YEARS OF EXPERIENCE IN WATER TREATMENT FOR A WIDE RANGE OF INDUSTRIES. ITS MARKETS INCLUDE TAIWAN, MAINLAND CHINA AND SOUTHEAST ASIA.

Darco Water Technologies works as a systems integrator – designing, building, operating and maintaining water management processes based on membrane, ion exchange and thermal technologies. To do that, it sources generic components from global suppliers to meet its design requirements.

However, the company's success is not just because of its strong technology. It owes a lot to its business model, the service and the solutions it offers, and the in-house knowledge of its staff.

Darco Water Technologies' Chief Executive Officer, Thye Kim Meng believes that efficiency is one of the company's core strengths. The company excels in operating, energy and business efficiency. It designs, manufactures and services water and wastewater systems for a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverage.

The company's business efficiency can be seen in its quality maintenance services. It derives 10 – 15 per cent of its income from long-term maintenance services through the service centres that it has established. These service centres are supported by its trading division, which supplies essential chemicals and other products. The focus on providing exceptional service has helped Darco Water Technologies maintain an excellent record of customer retention – 90 per cent of its customers are repeat customers.

The company aims to provide complete solutions to customers' water problems so that those customers – whether industrial or municipal – can focus on their core business. In order to achieve that, the company has a wide range of capabilities. It has plants in Singapore, Malaysia and China that are capable of fabrication, assembly and integration of systems for water purification, wastewater treatment and water recycling.

To produce water systems at the lowest cost per unit of water delivered, Darco Water Technologies pays great attention to the efficiency of its designs. This means energy

corporate profile

and pump efficiency, and using control systems that focus on minimising the number of people needed to operate the plant.

The company has a strong track record for both industrial solutions and municipal applications. In the industrial sector, many of the contracts won by Darco Water Technologies have been secured on a 'best-offer' basis. In this case there is no tender and the company that wins the contract is the one that offers the best complete solution. This was how Darco Water Technologies won two contracts in Taiwan reaching a total value of S$80 million. For its contracts with municipal customers, its preferred partnership model is the 'BOOT' model – to Build, Own, Operate, and then Transfer the projects to the customer at the end of 25 – 30 years.

In Deqing County, Zhejiang Province, 21/2 hours from Shanghai, the commitment of Darco Water Technologies is to deliver water management solutions that will meet the needs of the community for the next 25 years. For this, it has developed two water treatment plants located at strategic sites in the province. With one producing 60,000 tonnes per day and the second producing 100,000 tonnes, this approximately US$30 million investment forms the first phase of a programme to replace 11 older treatment plants. A second phase is planned to increase the capacity to 320,000 tonnes per day.

Over the years, Darco Water Technologies has quickly grown its business capabilities, sales and expertise. Established in 1999, it became a listed company just 21/2 years later and saw its sales increase from S$18 million to S$88 million by the year 2007. Its starting point was in providing water solutions for Singapore-based companies in the PCB, electro-plating, and electronics sectors. As the economy develops, the company has kept pace with the changing demands of different industries and cultivated new customers around the region. It has designed and built a number of water treatment plants, with a value of about US$10 million for electronic and semi-conductor plants that require ultra-filtration and a very large amount of water at a high level of purity.

corporate profile

The company's long-term business plan also includes attracting investors by building up Build-Own-Operate (BOO) assets, in the form of Real Estate Investment Trusts (REITs).

Darco employs an active business model to respond to the growth of its business. For instance, when demand increased, the company added more office and factory space, and made sure that its staff was operationally ready so that there would be minimal disruption to operations. The company's maintenance service guarantees consistent revenues, retains key staff and ensures the continuous development of product knowledge. It also provides a pool of talent that the company can call upon when time is short. The result of this is a business model that is well-placed to manage the business cycle.

The company places great value on strategic alliances and has had several successful collaborations with multinational companies. Darco has worked with Kennicott Water Systems to penetrate the power and petrochemical sectors in Southeast Asia, with Showa Engineering (a subsidiary of Showa Denko Group from Japan) to engage the large-scale wastewater market, and with Process Automation of Hong Kong to explore the automotive and plating industries. Its latest strategic partner is EnviDan A/S of Denmark, a leading engineering company in the treatment of high strength organic waste (HSOW).

The company plans to consolidate its operations in the markets it is already established in and develop new markets and new BOT agreements. Darco Water Technologies is exploring markets such as Vietnam and India, especially where its established customers are setting up new operations. The company is well-positioned to undertake BOO projects and is looking to take on much larger projects. Whether customers are industrial or municipal, the company aims to be seen as its customers' best partner in managing all aspects of their water needs.

board of directors

MR THYE KIM MENG Malaysian, Aged 59
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 26 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.

MS HEATHER TAN CHERN LING Malaysian, Aged 31
Executive Director (Finance)

Ms. Heather Tan was appointed as an Executive Director (Finance) of our Company on March 2006 and is currently a member of the Remuneration Committee.

Apart from coordinating legal matters for the Company, Ms. Tan undertakes a new portfolio as the Director of Finance and Corporate Affairs. She is responsible for fundraising related matters including strategic planning for the Company. She provides support for the development and implementation of the Company's governance practices, as well as audit related matters.

Ms Tan graduated from the University of Melbourne in Chemical Engineering. She has a Western Mining Corporation award for excellence in Process Engineering. Obtaining a place on the Dean's Honours role, she has a publication in her name in the Journal of Applied Polymer Science for her research efforts on polymerization kinetics. Prior to joining Darco she held a short-term position as a researcher with Orica Adhesives and Resins in Australia.

board of directors

MS TEO SIN YNG Malaysian, Aged 30
Executive Director (Engineering and Design)

Ms Teo Sin Yng was appointed as an Executive Director (Engineering and Design) of the Company on 4 May 2011.

Ms Teo Sin Yng leads Darco's application engineers. She is responsible for standardizing the Group's water treatment and engineering process of Engineered Environmental System (EE System) business segment. She coordinates technical and commercial matters between the process, engineering and project management departments.

Ms Teo graduated from the University Technology Malaysia, with a Bachelor of Chemical Engineering. She joined the Group in 2006. Prior to joining the Company, she was a testing engineer in Bureau Veritas, Singapore.

MR ROBERT WONG KWAN SENG Singaporean, Aged 54
Non-Executive Independent Director

Mr Robert Wong was appointed as a Non-Executive Independent Director of our Company on 30 April 2005 and is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee. He graduated from the National University of Singapore in 1983 with a law degree and has practiced in various law firms. He is presently a director of Straits Law Practice LLC. Mr Wong practises mainly corporate law with particular emphasis in corporate finance such as initial public offers, right issue, issue of debentures, takeovers, mergers, acquisition and joint ventures. He is a director of various companies including Baker Technology Limited, Willas-Array Electronics (Holdings) Limited, Rotol Singapore Ltd and Aqua-Terra Supply Co. Limited.

MR JOSHUA SIOW CHEE KEONG Canadian, Aged 57
Non-Executive Independent Director

Mr Joshua Siow Chee Keong was appointed as a Non-Executive Independent Director of our Company on 30 April 2005 and is the Chairman of the Remuneration and Nominating Committee and a member of the Audit Committee. He is a Certified Internal Auditor and a Certified Accountant. He is currently the managing director at JF Virtus Pte Ltd, responsible for directing all internal audit and risk management consultancy services to listed companies. Prior to this, he was the head of internal audit for the Singapore Exchange Limited. He has more than 29 years of internal and external auditing experience. He graduated with a MBA from the University of Warwick, England. He is a director of a number of listed companies in Singapore and is a member of the Singapore Institute of Directors.

key management

LIM BOON KUAN, aged 44 years, is the Group's Financial Controller and is responsible for the Group's financial and operation functions. Prior to joining the Group, he spent 3 years as the finance and administration manager in a property developer company listed on the Kuala Lumpur Stock Exchange. He gained a wealth of experience in the stock broking industry while working as an accountant in a stock broking firm for 7 years. He was admitted as a fellowship of The Chartered Association of Certified Accountant in 1996 and is also a member of the Malaysian Institute of Accountants.

THYE KIM FAH, aged 61 years, is the General Manager of Darco Systems (M) Sdn. Bhd ("DSM"), responsible for DSM's overall management and operations of DSM in relation to our business in the central and southern regions of Peninsular Malaysia. He is also a key player in formulating the corporate strategies and charting new directions and goals for DSM. He has over 19 years of experience in water purification treatment business. Mr Thye attained a Cambridge General Certificate of Education at the Ordinary Level. He is the elder brother of Mr Thye Kim Meng, who is the Managing Director and Chief Executive Officer of the Company.

ZACH THYE ZE PIN, aged 30 years, is the head of our engineering operations in the group for project management and water systems manufacturing. He has been with the company for five years, working as an Application Engineer in the Group's water and wastewater plant construction. Zach is the son of Mr Thye Kim Fah, the brother of our Group C.E.O. Zach graduated from the University of New South Wales, Australia with B.Eng (1st Class Honours) in Mechanical Engineering and also obtained a M.Sc in Water and Wastewater Engineering from Loughborough University, U K.

operations review

INCOME STATEMENT REVIEW

Revenue declined 8.4% year-on-year ("yoy") to S$62.0 million for FY2011.

SEGMENTAL CONTRIBUTION

Revenue from Engineered Environmental Systems declined 10.0% year-on-year ("yoy") to $42.1 million for FY2011 with the substantial completion of Qian Yuan Build-Operate-Transfer ("BOT") project. Revenue from Water Management Services ("WM Services") declined 16.8% yoy to S$8.2 million for FY2011. On the contrary, sales from the trading segment increased 5.6% yoy to S$11.7 million for FY2011.

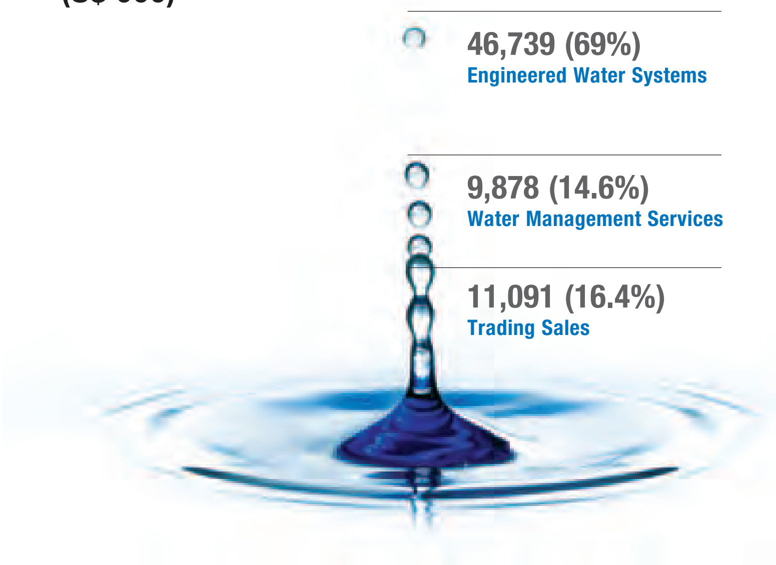
GEOGRAPHICAL

FY2011

(S$'000)

FY2010

(S$'000)



operations review

CONTRIBUTION

Country	Year ended 31 Dec 2011 (S$'000)	Year ended 31 Dec 2010 (S$'000)
Malaysia	28,240	25,796
Taiwan	17,892	12,652
China	10,748	20,856
Singapore	4,159	5,564
Other	982	2,840
Total	**62,021**	**67,708**

Malaysia contributed S$28.2 million or 45.5% of FY2011 revenue, an increase of 9.5% from S$25.8 million for FY2010. The increase is attributable to higher demand for our services, especially in the electronic, semi-conductor and solar power manufacturing sectors.

Taiwan generated S$17.9 million or 28.8% of FY2011 revenue, a jump of 41.4% from S$12.7 million for FY2010, with the commencement of the soil remediation facility during the year.

China contributed S$10.7 million or 17.3% of FY2011 revenue, a 48.5% yoy decline from S$20.9 million for FY2010. The decrease is mainly attributable to the completion of the Group's second BOT project in Deqing ("Deqing Qianyuan").

In line with the favourable mix towards industrial projects, gross profit margin increased to 23.1% for FY2011, up 0.9 percentage points from FY2010. Gross profit correspondingly declined 4.6% yoy to S$14.3 million for FY2011. With a tight rein on cost, net operating expenses declined 7.1% yoy to S$10.3 million for FY2011.

The Group reported a net profit attributable to shareholders of S$0.8 million for FY2011, an increase of 96.9% from S$0.4 million for FY2010.

BALANCE SHEET REVIEW

Current assets stood at S$48.8 million as at 31 December 2011, largely comprising of trade and other receivables of S$27.0 million and cash and cash equivalent of S$15.6 million. Trade and other receivables declined by S$2.6 million with the settlement of outstanding debts made by customers for services rendered in Malaysia and Taiwan.

Non-current assets stood at S$68.1 million as at 31 December 2011, largely comprising of financial receivables of S$56.8 million. The Group owns and operates the Wukang and Qian Yuan water treatment plants. Both water treatment plants are under service concession arrangements to supply treated water to Deqing County for a period of 22 years and 25 years respectively.

Total assets stood at S$116.9 million as at 31 December 2011 as compared to S$109.0 million as at 31 December 2010.

Current liabilities increased to S$79.5 million as at 31 December 2011 from S$75.7 million as at 31 December 2010. The increase is mainly attributable to S$8.6 million increase in trade and other payables, of which $3 million was due to advance payment required for the 60% equity divestment in Darco Environmental Pte Ltd ("DNV") and another $3 million of loan received from related parties.

Non-current liabilities increased to S$5.8 million as at 31 December 2011 from S$4.3 million as at 31 December 2010.

Total liabilities stood at S$85.3 million as at 31 December 2011 as compared to S$80.0 million as at 31 December 2010.

Shareholders' equity stood at S$31.5 million as at 31 December 2011.

CASH FLOW STATEMENT REVIEW

In FY2011, the Group reported net cash generated from operating activities of S$9.0 million, net cash used in investing activities of S$1.7 million and net cash used in financing activities of S$9.6 million.

corporate information

BOARD OF DIRECTORS
Thye Kim Meng
(Managing Director and Chief Executive Officer)
Heather Tan Chern Ling
(Executive Director)
Ms Teo Sin Yng
(Executive Director)
Robert Wong Kwan Seng
(Non-Executive Independent Director)
Joshua Siow Chee Keong
(Non-Executive Independent Director)

AUDIT COMMITTEE
Robert Wong Kwan Seng (Chairman)
Joshua Siow Chee Keong
Thye Kim Meng

NOMINATING COMMITTEE
Joshua Siow Chee Keong (Chairman)
Robert Wong Kwan Seng
Thye Kim Meng

REMUNERATION COMMITTEE
Joshua Siow Chee Keong (Chairman)
Robert Wong Kwan Seng
Heather Tan Chern Ling

COMPANY SECRETARY
Fu Nee Fa, Chartered Secretary

REGISTERED OFFICE
123 Woodlands Industrial Park E5
Woodlands E-Terrace
Singapore 757498
Tel: (65) 6363 3886
Fax: (65) 6362 2355

REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITORS
Baker Tilly TFW LLP
Public Accountants and Certified Public Accountants
15 Beach Road
#03-10 Beach Centre
Singapore 189677

Partner-in-charge:
Joshua Ong Kian Guan
(appointment effective from financial year
ended 31 December 2011)

our regional presence

mission

TO BE THE WATER COMPANY OF CHOICE BY PROVIDING CUSTOMER DRIVEN MULTI-TECHNOLOGY SOLUTIONS.

TO DESIGN AND MANUFACTURE A WIDE RANGE OF HIGH PERFORMANCE WATER AND WASTEWATER SYSTEMS AND PROVIDE SERVICES OF HIGHEST QUALITY AT AFFORDABLE PRICES.

corporate governance statement

For the year ended 31 December 2011

Our Board of Directors and Management are committed to maintaining a high standard of corporate governance to protect the interests of our shareholders.

This Report describes the Company's corporate governance processes and structures that were in place throughout the financial year 2011, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2005 ("Code"). The Company was admitted to the Official List of the Stock Exchange of Singapore Dealing and Automated Quotation System ("SESDAQ") in July 2002 and was upgraded to the SGX Mainboard on 7 May 2008. 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

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control – the Company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board comprises three Executive Directors and two Non-Executive Independent Directors. Together, the Directors bring a wide range of business, legal and financial experience relevant to the Group.

Thye Kim Meng	Chairman, Managing Director and Chief Executive Officer ("CEO")
Heather Tan Chern Ling	Executive Director
Teo Sin Yng	Executive Director
Robert Wong Kwan Seng	Non-Executive Independent Director
Joshua Siow Chee Keong	Non-Executive Independent Director

The Board's key responsibilities include providing leadership and supervision to the management of the Company and the subsidiaries (the "Group") with a view to protect shareholders' interests and enhancing long-term shareholders' value.

The Board's principal responsibilities are to:

(a) guide the formulation of the Group's overall long-term strategic objectives and directions. This include setting the Group's policies and strategic plans and monitor achievement of these corporate objectives

(b) establish goals for management and monitor the achievement of these goals

(c) ensure management leadership of high quality, effectiveness and integrity

(d) review internal controls, risk management, financial performance and reporting compliance

corporate governance statement

For the year ended 31 December 2011

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.

The Board meets regularly to approve matters relating to announcements of financial results, the annual report and financial statements, material acquisitions and disposals of assets.

At the meetings of the Board, the Directors are free to discuss and openly challenge the views presented by management and the other Directors. The decision making process is an objective one.

The Board conducts meetings at least twice annually. In lieu of physical meetings, written resolutions were also circulated for approval by the members of the Board.

The Board is supported by key Board committees namely Audit Committee, Remuneration Committee and Nominating Committee, which are delegated specific responsibilities. The attendance of the directors at these meetings during the financial year are as follows:–

		Board Committees		
Board/Committees	**Board**	**Audit**	**Remuneration**	**Nominating**
No. of meetings held	2	2	1	1
Directors				
Robert Wong Kwan Seng	2	2	1	1
Joshua Siow Chee Keong	2	2	1	1
Thye Kim Meng	2	2	–	1
Teo Sin Yng (appointed on 4 May 2011)	1	–	–	–
Heather Tan Chern Ling	2	2	1	1

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 Company will provide a formal letter to newly appointed Directors upon their appointment explaining their statutory duties and responsibilities as Directors. All new and existing Directors are provided with background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge.

corporate governance statement

For the year ended 31 December 2011

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision.

The Board comprises three Executive Directors and two Non-Executive Independent Directors, therefore two fifth of the Board Members are independent. The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interest of the Group. The Nominating Committee ("NC") has reviewed and determined that the directors, namely Mr Robert Wong Kwan Seng and Mr Joshua Siow Chee Keong are independent.

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations. The Board members provide a range of core competencies in accounting, finance, legal, business management experience and industry knowledge that provide effective governance and stewardship for the Group.

The profiles of the Directors are found on pages 8 to 9 of this Annual Report and their appointments on the Board and details of their roles in Board Committees are set out below:–

		Board Committees		
Directors	**Board Membership**	**Audit**	**Remuneration**	**Nominating**
Thye Kim Meng	Managing Director and CEO	Member	–	Member
Heather Tan Chern Ling	Executive Director	–	Member	–
Teo Sin Yng	Executive Director	–	–	–
Robert Wong Kwan Seng	Non-Executive Independent Director	Chairman	Member	Member
Joshua Siow Chee Keong	Non-Executive Independent Director	Member	Chairman	Chairman

Role of Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Although the Code of Corporate Governance states that the roles of the Chairman and the Chief Executive Officer should in principle be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the Board is of the view that it is in the best interest of the Company to adopt a single leadership structure so as to facilitate decision making. The roles of the Chairman and the Chief Executive Officer are assumed by one of the Executive Directors, Mr Thye Kim Meng, who also holds the position of Managing Director.

corporate governance statement

For the year ended 31 December 2011

The Board 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.

The Chairman is guided by recommendations provided by our Company Secretary, the Chairman of the Audit, Committee Chairman of the Nominating and Chairman of the Remuneration Committee and the Company's Group Financial Controller. 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.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The NC comprises of Mr Joshua Siow Chee Keong as Chairman and Mr Robert Wong Kwan Seng and Mr Thye Kim Meng as members, majority of whom including the Chairman are Non-Executive Independent Directors.

The Chairman of the NC is not associated in any way with the substantial shareholders of the Company.

The NC's terms of reference includes ensuring proper procedures for appointment and re-appointment of Directors, determining on an annual basis the independence of the Non-Executive Independent Directors, deciding whether a Director has been adequately carrying out his duties as a Director, to re-nominate directors having regard to the director's contribution and performance and assessing the performance of the Board.

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

Details of the shareholdings of Directors in the shares of the Company are disclosed in item 3 of the Directors' Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as the contribution of individual Director. It focuses on a set of criteria which include the evaluation of the size and composition of the Board, the Board's access to information, Board process and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standard of conduct.

The NC reviews and determines the independence of each Director and assesses the effectiveness of the Board as a whole and of individual Director. The NC has reviewed and assessed the effectiveness of the Board based on the criteria approved by the Board. The NC is of the opinion that each member of the Board has been effective during the year 2011 due to the active participation of each Board member during each meeting.

corporate governance statement

For the year ended 31 December 2011

Access to Information

Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is furnished with board papers prior to any Board Meeting. These papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board papers include minutes of the previous meeting, financial results announcements, reports from Committees, internal and external auditors.

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, the cost of which will be borne by the Company.

Remuneration Matters

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") consists of three members, the majority of whom are Non-Executive Independent Directors. The members are Mr Joshua Siow Chee Keong as Chairman, and Mr Robert Wong Kwan Seng and Ms Heather Tan Chern Ling. The Board is of the view 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 Non-Executive Director.

The RC 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 RC shall abstain from voting on any resolution in respect of his remuneration package.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of Executive Directors, should be linked to performance.

The RC takes into account performance related elements for the remuneration and performance measures for Executive Directors. The remuneration of the Executive Directors is based on service agreements dated 11 March 2009. The remuneration package is also designed to align the Directors' interests with those of minority

corporate governance statement

For the year ended 31 December 2011

shareholders. The Non-Executive Independent Directors are paid directors' fees for their effort and time spent, responsibilities and contribution to the Board, based on the remuneration rates of comparable companies listed on Mainboard and their remuneration are subject to shareholders' approval at the Annual General Meeting.

Disclosure of Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedures for setting remuneration, in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

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

Remuneration Bands & Name of Directors	Salaries, including CPF	Variable Bonus	Director's Fees	Total
Below $250,000				
Thye Kim Meng	62%		38%	100%
Teo Sin Yng	82%	–	18%	100%
Heather Tan Chern Ling	72%	–	28%	100%
Robert Wong Kwan Seng	–	–	100%	100%
Joshua Siow Chee Keong	–	–	100%	100%

The remuneration of the Directors and top three senior executives (who are not Directors of the Company) whose remuneration fell within the following ranges are as follows:–

Remuneration Bands & Name of Key Executive Salaries, including CPF Variable Bonus Director's Fees Total

Remuneration Bands & Name of Key Executive	Salaries, including CPF	Variable Bonus	Director's Fees	Total
Below $250,000				
Thye Kim Fah	100%	–	–	100%
Lim Boon Kuan	100%	–	–	100%
Zach Thye Ze Pin	97%	–	3%	100%

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.

corporate governance statement

For the year ended 31 December 2011

Accountability and Audit

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

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.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") comprises Mr Robert Wong Kwan Seng as Chairman, Mr Joshua Siow Chee Keong and Mr Thye Kim Meng as members, a majority of whom including the Chairman are Non-Executive Independent Directors. The AC members possess experience in finance, legal and business management. The Board is of the opinion that the members of the AC are appropriately qualified to carry out their responsibilities, which are set out in their terms of reference.

The AC 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 AC 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 Baker Tilly TFW LLP, 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.

Whistle-blowing Policy

The Company has in place whistle-blowing policies and arrangements by which staff, may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters.

To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports are to be sent to the internal audit function. The Chairman of the Audit Committee and the Chairman of the Board will be informed immediately of all whistle-blowing reports received. Details of the whistle-blowing policies and arrangements are posted in the Company's intranet for staff's easy reference. New staffs are briefed on these during the orientation programme.

corporate governance statement

For the year ended 31 December 2011

The AC has reviewed all non-audit services provided by the external auditors to the Company and is satisfied that the extent of such services provided will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $323,000 and $7,000 respectively, for the financial period under review. The re-appointment of the external auditors will be subject to approval by way of ordinary resolution of shareholders at the Company's Annual General Meeting, to be held on 31 August 2012.

In appointing the audit firms for the Company, the Audit Committee is satisfied that the Company has complied with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

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. 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.

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.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. The AC has met with the management and external auditors to review the internal auditor's plan and external auditors' audit plan. Also, as part of the annual statutory audit on financial statements, the external auditors report to the Audit Committee and appropriate level of management any material weaknesses in financial accounting controls over the areas which are significant to the audit.

The Board of Directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the work performed by the internal auditors during the financial year as well as the statutory audit by the external auditors, and reviews performed by management, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's system of internal controls to address all three areas of risks (i.e. financial, operational and compliance risks) were adequate as at 31 December 2011 in providing reasonable assurance of the effectiveness of the Group under the current business environment.

The Board had on the recommendation of the AC approved and put in place the Whistle-Blowing Policy and Procedure For Reporting Impropriety In Matters of Financial Reporting And Other Matter.

corporate governance statement

For the year ended 31 December 2011

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair 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.

Principle 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.

The Group is continually reviewing and improving the business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions.

Material Contracts

During the financial year, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO, any Director or the controlling shareholder of the Company.

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.

During the year under review, there have been no material interested person transactions requiring disclosure pursuant to the SGX Listing Manual.

Securities Transactions

The Company has adopted its own internal compliance code modeled after the Best Practices Guide issued by SGX to provide guidance for both Directors and employees on their dealings in the Company's securities.

Directors and employees are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half year and full year results. Additionally, they are not allowed to deal in the Company's shares while in possession of price sensitive information. The Directors are required to report to the Company Secretary whenever they deal in the Company's shares and the Company Secretary will make the necessary announcements.

Directors' Report

For the financial year ended 31 December 2011

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011.

1. DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Thye Kim Meng	(Managing Director and Chief Executive Officer) [(a)(c)]
Heather Tan Chern Ling	(Executive Director) [(b)]
Teo Sin Yng	(Executive Director)
Robert Wong Kwan Seng	(Non-Executive Independent Director) [(a)(b)(c)]
Joshua Siow Chee Keong	(Non-Executive Independent Director) [(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 SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act"), except as follows:

	Number of ordinary shares					
	Shareholdings registered in their own names			Shareholdings in which director is deemed to have an interest		
Name of directors and companies in which interests are held	At 1.1.2011	At 31.12.2011	At 21.1.2012	At 1.1.2011	At 31.12.2011	At 21.1.2012
The Company						
Darco Water Technologies Limited						
Thye Kim Meng	36,795,711	36,795,711	36,795,711	27,000,000	27,000,000	27,000,000
Heather Tan Chern Ling	68,000	68,000	68,000	–	–	–
Teo Sin Yng	26,000	26,000	26,000	–	–	–

Directors' Report

For the financial year ended 31 December 2011

Name of directors and companies in which interests are held	Number of ordinary shares — Shareholdings registered in their own names At 1.1.2011	At 31.12.2011	At 21.1.2012	Shareholdings in which director is deemed to have an interest At 1.1.2011	At 31.12.2011	At 21.1.2012
Subsidiaries						
P.T. Darco Indonesia						
Thye Kim Meng	–	–	–	553,623	553,623	553,623
Darco Environmental (Philippines) Inc.						
Thye Kim Meng	–	–	–	65,000	65,000	65,000
Globe Industrial Technology Co., Ltd.						
Thye Kim Meng	–	–	–	101,120	101,120	101,120
Darco Engineering (Taiwan) Co., Ltd.						
Thye Kim Meng	–	–	–	47,700,000	47,700,000	47,700,000
Darco Environmental (Taiwan) Inc.						
Thye Kim Meng	–	–	–	715,000	715,000	715,000
Darco Puding Wastewater Management Co., Ltd.						
Thye Kim Meng	–	–	–	9,180,000	9,180,000	9,180,000
Puzer Asia Pte Ltd						
Thye Kim Meng	–	–	–	140,000	140,000	140,000
Darco Yoli Co., Ltd.						
Thye Kim Meng	–	–	–	–	5,659,243	5,659,243
Deqing Huanzhong Producing Water Co., Ltd.						
Thye Kim Meng	–	–	–	5,327,784*	5,327,784*	5,327,784*

* Represents capital injection in USD

By virtue of Section 7 of the Act, Thye Kim Meng is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiaries.

Directors' Report

For the financial year ended 31 December 2011

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than disclosed in the financial statements and this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, and that certain directors have received remuneration from related corporations in their capacity as directors and/or executives of these related corporations.

5. SHARE OPTIONS

No option to take up unissued shares of the Company or its subsidiaries was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

6. AUDIT COMMITTEE

The members of the Audit Committee during and at the end of the financial year are as follows:

Robert Wong Kwan Seng	–	Chairman of the Audit Committee and Non-Executive Independent Director
Joshua Siow Chee Keong	–	Non-Executive Independent Director
Thye Kim Meng	–	Managing Director and Chief Executive Officer

The Audit Committee performs the functions specified by Section 201B (5) of the Act. Among others, it performed the following functions:

- Reviewed with the independent auditor the audit plan;
- Reviewed with the independent auditor their evaluation of the Company's material internal accounting control, and their report on the financial statements and the assistance given by the Company's management to the independent auditor;
- Reviewed the financial statements of the Group and the Company prior to their submission to the Board of Directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

Directors' Report

For the financial year ended 31 December 2011

7. INDEPENDENT AUDITOR'S REMUNERATION

The directors have reviewed the quantum and nature of fees, expenses and emoluments paid to the independent auditor for non-audit services under Section 206 (1A) of the Act and are satisfied that the provision of such services does not affect their independence.

ON BEHALF OF THE BOARD OF DIRECTORS

Heather Tan Chern Ling
Executive Director

Teo Sin Yng
Executive Director

Singapore, 14 August 2012

Statement by Directors

For the financial year ended 31 December 2011

In the opinion of the directors:

(i) subject to the matters highlighted in the Independent Auditor's report, the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 40 to 44 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(ii) at the date of this statement, subject to outcome of the negotiation with the banks, 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 BOARD OF DIRECTORS

Heather Tan Chern Ling
Executive Director

Teo Sin Yng
Executive Director

Singapore, 14 August 2012

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the accompanying financial statements of Darco Water Technologies Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 121 which comprise the statements of financial position of the Group and the Company as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards ("FRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Opening balances

The statutory financial statements for the financial years ended 31 December 2009 and 31 December 2010 were audited by another independent auditor whose report dated 31 May 2011 expressed a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the statutory financial statements are disclosed in Note 33 to the financial statements. We were denied access to the predecessor auditors' working papers for the financial year ended 31 December 2010.

We had performed a re-audit on the financial statements ("Restated financial statements") for the financial years ended 31 December 2009 and 31 December 2010 and our audit report dated 30 May 2012 expressed a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the Restated financial statements are disclosed in Note 34 to the financial statements. Since the opening balances as at 1 January 2011 enter into the determination of the financial results and cash flows for the financial year ended 31 December 2011, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

2. Comparative information

The Restated financial statements of the Group and the Company for the financial year ended 31 December 2010, are being presented as the comparative information for the financial year ended 31 December 2011. The Group has made certain retrospective restatements, and changes in the presentation and classification of the comparative amounts. However, information and disclosure for the retrospective restatements, and changes in the presentation and classification of the statutory financial statements for the financial year ended 31 December 2010 as audited by the predecessor auditor to the Restated financial statements for the financial year ended 31 December 2010 as required by FRS 1 Presentation of Financial Statements and FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors were not presented in the Group's financial statements for the financial year ended 31 December 2011. The information and disclosure which were not disclosed are as follows:

i) FRS 1

(a) statement of financial position as at 1 January 2010;

(b) the nature of the reclassification;

(c) the amount of each item or class of items that is reclassified; and

(d) the reason for the reclassification.

ii) FRS 8

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

– for each financial statement line item affected; and

– for basic and diluted earnings per share; and

(c) the amount of the correction at the beginning of the earliest prior period presented.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

3. *P.T. Darco Indonesia*

The unaudited management accounts of the Company's subsidiary, P.T. Darco Indonesia ("PT Darco") for the financial year ended 31 December 2011 were used to prepare the Group's financial statements, as the audited financial statements of PT Darco for the financial year ended 31 December 2011 are not available.

Total assets and total liabilities of PT Darco included in the consolidated statement of the financial position of the Group as at 31 December 2011 amounted to $4.89 million and $2.06 million, respectively. Revenue and net loss of PT Darco included in the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2011 amounted to $Nil and $0.45 million, respectively.

We were unable to obtain sufficient information and explanations to enable us form an opinion as to whether the unaudited management accounts of PT Darco prepared, were in accordance with Singapore Financial Reporting Standards and in form and content appropriate and proper for the purpose of preparation of the Group's financial statements.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011. We were also unable to determine whether any impairment loss is required in respect of the amount due from PT Darco amounting to $0.52 million (2010: $0.51 million) included in the Company's trade and other receivables as disclosed in Note 13 to the financial statements.

4. *Fraud investigation*

As disclosed in Note 27(b)(i) to the financial statements, the Company reported to the Singapore Stock Exchange in March 2010 that the Group was concerned with the manner in which Darco Engineering (Taiwan) Co., Ltd.'s ("DET") accounts had been managed. On 20 May 2010, KPMG Singapore was appointed to conduct an investigation of the affairs of DET. Based on investigation report issued by KPMG Singapore on 27 May 2011, the total amount of possibly misappropriated monies amounted approximately to $7.18 million (NTD$163.41 million).

The Group filed police reports in Taiwan against its former employees and third parties facilitators or conspirators, claiming a total misappropriated amounts of $9.80 million (NTD$223.06 million) as of the date of this report.

The misappropriated amounts were recorded either as alleged administration expenses or project costs and recognised in the consolidated statement of comprehensive income for the financial years ended 31 December 2009 and before.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

4. *Fraud investigation (Continued)*

Due to the ongoing legal proceeding and investigation, and misappropriated amounts reported by management in addition to that initially identified by KPMG Singapore, we were unable to obtain sufficient appropriate audit evidences to satisfy ourselves as to the accuracy, completeness and the appropriate classifications of such misappropriated amounts and related balances in the Group's financial statements for the financial year ended 31 December 2011. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

5. *Service concession arrangements*

As disclosed in Note 21 to the financial statements, the Company's subsidiaries, Deqing Huanzhong Producing Water Co., Ltd. ("Deqing Huanzhong") and Deqing Darco Producing Water Co., Ltd. ("Deqing Darco") obtained service concession arrangements in The People's Republic of China to construct and operate water treatment plants. Under the service concession arrangements, Deqing Huanzhong and Deqing Darco constructed and operated the water treatment plants for the concession periods of 22 years and 25 years, respectively. Such arrangements fall within the scope of Interpretations of FRS 112 Service Concession Arrangements.

The key assumptions used for computation of the fair values of considerations received and receivable are disclosed in Note 21 to the financial statements. The Group recognised the considerations received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset during the concession period. Such financial assets are measured at their fair values upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised costs.

Deqing Huangzhong completed the construction of the water treatment plant in 2006 and is in the operating phase of the service concession arrangement. Total assets and total liabilities of Deqing Huanzhong included in the consolidated statement of financial position of the Group as at 31 December 2011 amounted to $15.68 million and $1.14 million, respectively. Revenue and net profit of Deqing Huanzhong included in the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2011 amounted to $2.56 million and $1.56 million, respectively.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

5. Service concession arrangements (Continued)

Deqing Darco completed the construction of the water treatment plant in current financial year and is in the operating phase of the service concession arrangement as at 31 December 2011. Total assets and total liabilities of Deqing Darco included in the consolidated statement of financial position of the Group as at 31 December 2011 amounted to $44.12 million and $17.32 million, respectively. Revenue and net profit of Deqing Darco included in the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2011 amounted to $5.91 million and $1.58 million, respectively. Total accumulated costs incurred for the completion of the construction of the water treatment plant amounted to $35.87 million (RMB175.35 million) which exceeded the original budget costs of $33.75 million (RMB165.00 million). The construction costs were used as the basis for the computation of construction revenue recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2011, and included intra-group companies' transactions where the related intra-group companies' profits were not eliminated.

Based on available information and documents provided, we were unable to satisfy ourselves on the reasonableness of the key assumptions, construction costs and methods used in the determination of the revenue recognition, fair values of the financial assets on initial recognition, and the amortised costs and corresponding financial incomes during the concession periods. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

6. Trade and other payables

At 31 December 2011, certain of DET's trade and other payables amounting to $1.35 million were included in the Group's trade and other payables as disclosed in Note 24 to the financial statements. We were unable to obtain independent confirmations of these balances from the sub-contractors. In addition, DET has pending legal suits with one of these sub-contractors, claiming for additional compensations as disclosed in Note 27(a)(i) to the financial statements.

Due to the lack of independent supporting documentation and uncertainty over the outcomes of the litigations, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded trade and other payables and the corresponding balances in the Group's financial statements for the financial year ended 31 December 2011.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

7. Currency translation difference

As disclosed in Note 26(b)(i) to the financial statements, the Group recorded $1.56 million of currency translation differences arising from consolidation for the financial year in the consolidated statement of comprehensive income and consolidated statement of changes in equity. Currency translation reserve as at 31 December 2011 amounted to $0.36 million.

We were unable to ascertain the validity of these amounts due to unavailability of adequate information arising from periods before 1 January 2009. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

8. Litigations

As disclosed in Note 27 to the financial statements, the Group have several on-going litigations as at 31 December 2011. However, management is unable to determine the probable outcomes of the litigations, given the current status of these litigations. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

9. Impairment of assets

Information on the estimates used to measure the recoverable amount of the goodwill arising on consolidation as required by FRS 36 Impairment of Assets was not presented in the Group's financial statements for the financial year ended 31 December 2011.

10. Segment information

Segment information that enable users of the financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates as required by FRS 108 Operating Segments was not presented in the Group's financial statements for the financial year ended 31 December 2011.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

11. Financial instruments: Disclosures

Information that enable users of the financial statements to evaluate the significance of financial instruments for the Group's and the Company's financial position and performance; and the nature and extent of risks arising from financial instruments to which the Group and the Company are exposed during the period and at the reporting date, and how the Group and the Company manage those risks as required by FRS 107 Financial Instruments: Disclosures was not presented in the Group's financial statements for the financial year ended 31 December 2011.

12. Going concern

As disclosed in Note 2.1 to the financial statements, the Company incurred losses of $3.74 million, after deducting allowances for impairment of receivables from subsidiaries of $2.10 million for the financial year. The Group's and the Company's current liabilities exceeded the current assets by $30.76 million and $10.47 million, respectively as at 31 December 2011.

As disclosed in Note 27 to the financial statements, the Group have several on-going litigations as at 31 December 2011.

In addition, the Group and the Company breached certain financial covenants of certain borrowings as at 31 December 2011 as disclosed in Note 23 to the financial statements. However, the banks have not enforced their rights for immediate repayments.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company to continue as a going concern depends on the ability of the Group and the Company to generate profit from operations and obtain additional fundings for its working capital requirements in the next twelve months. It is presently not possible to determine the eventual outcome of such strategies.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Disclaimer of Opinion (Continued)

12. Going concern (Continued)

The financial statements have been prepared on the assumption that the Group and the Company will continue as a going concern. If the Group and the Company are unable to continue in operational existence for the foreseeable future, and the Group and the Company may be unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

Due to the matters described in the above paragraphs, we were unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2011.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matter

The statutory financial statements for the financial years ended 31 December 2009 and 31 December 2010 were audited by another independent auditor whose report dated 31 May 2011 expressed a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the statutory financial statements are disclosed in Note 33 to the financial statements.

We had performed a re-audit on the Restated financial statements for the financial years ended 31 December 2009 and 31 December 2010 and our audit report dated 30 May 2012 expressed a disclaimer of opinion on those financial statements. The basis for disclaimer of opinion on the Restated financial statements are disclosed in Note 34 to the financial statements.

Independent Auditor's Report

To the Members of Darco Water Technologies Limited
For the financial year ended 31 December 2011

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are independent auditors, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Certified Public Accountants
Singapore, 14 August 2012

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2011

	Note	Group 2011 $'000	Group Restated 2010 $'000
Continuing operations			
Revenue	4	**62,021**	67,708
Cost of sales		**(47,694)**	(52,698)
Gross profit		**14,327**	15,010
Other income	5	**3,645**	3,868
Distribution expenses		**(979)**	(1,152)
Administrative expenses		**(12,958)**	(13,791)
Finance expenses	6	**(1,614)**	(1,467)
Share of (loss)/profit of a joint venture		**(104)**	19
Profit before income tax	7	**2,317**	2,487
Income tax expense	9	**(1,895)**	(1,813)
Profit from continuing operations, net of tax		**422**	674
Discontinued operations			
Loss from discontinued operations, net of tax	10	**(244)**	(2,045)
Profit/(loss) for the year		**178**	(1,371)
Other comprehensive income/(loss):			
Currency translation differences arising from consolidation		**1,564**	(983)
Other comprehensive income/(loss) for the year, net of tax		**1,564**	(983)
Total comprehensive income/(loss) for the year		**1,742**	(2,354)
Profit/(loss) attributable to:			
Equity holders of the Company		**756**	384
Non-controlling interests		**(578)**	(1,755)
Profit/(loss) for the year		**178**	(1,371)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**2,282**	(593)
Non-controlling interests		**(540)**	(1,761)
Total comprehensive income/(loss) for the year		**1,742**	(2,354)
Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to the equity holders of the Company (expressed in cents per share)			
Basic and diluted earnings/(loss) per share			
From continuing operations	11	**0.36**	0.88
From discontinued operations	11	**(0.09)**	(0.74)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2011

	Note	Group 2011 $'000	Group Restated 2010 $'000	Company 2011 $'000	Company Restated 2010 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**15,617**	14,952	**3,223**	1,438
Trade and other receivables	13	**27,023**	29,582	**26,416**	32,408
Inventories	14	**1,518**	2,141	**–**	–
		44,158	46,675	**29,639**	33,846
Disposal group classified as held-for-sale	10	**4,635**	3,853	**–**	–
Total current assets		**48,793**	50,528	**29,639**	33,846
Non-current assets					
Investments in subsidiaries	16	**–**	–	**4,597**	4,597
Investment in a joint venture	17	**59**	80	**–**	–
Property, plant and equipment	18	**8,350**	8,265	**–**	–
Intangible assets	19	**1,223**	1,216	**–**	–
Land use rights	20	**1,577**	1,569	**–**	–
Trade and other receivables	21	**56,844**	47,291	**–**	–
Deferred income tax assets	22	**23**	25	**–**	–
Total non-current assets		**68,076**	58,446	**4,597**	4,597
Total assets		**116,869**	108,974	**34,236**	38,443
LIABILITIES					
Current liabilities					
Borrowings	23	**47,491**	52,199	**28,899**	34,259
Trade and other payables	24	**30,069**	21,426	**11,214**	5,902
Current income tax liabilities		**712**	723	**–**	231
		78,272	74,348	**40,113**	40,392
Liabilities directly associated with disposal group classified as held-for-sale	10	**1,277**	1,303	**–**	–
Total current liabilities		**79,549**	75,651	**40,113**	40,392
Non-current liabilities					
Deferred income tax liabilities	22	**3,743**	3,065	**–**	–
Borrowings	23	**476**	212	**–**	189
Trade and other payables	24	**1,562**	1,045	**–**	–
Total non-current liabilities		**5,781**	4,322	**–**	189
Total liabilities		**85,330**	79,973	**40,113**	40,581
Net assets/(liabilities)		**31,539**	29,001	**(5,877)**	(2,138)
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	**36,985**	36,985	**36,985**	36,985
Other reserves	26	**1,130**	(661)	**–**	–
Accumulated losses		**(11,420)**	(11,959)	**(42,862)**	(39,123)
		26,695	24,365	**(5,877)**	(2,138)
Non-controlling interests		**4,844**	4,636	**–**	–
Total equity		**31,539**	29,001	**(5,877)**	(2,138)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2011

	← Attributable to equity holders of the Company →					
	Share capital $'000	Other reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2011						
Beginning of financial year	36,985	(661)	(11,959)	24,365	4,636	29,001
Profit/(loss) for the year	–	–	756	756	(578)	178
Other comprehensive income for the year, net of tax						
– Currency translation differences arising from consolidation	–	1,526	–	1,526	38	1,564
Total comprehensive income/(loss) for the year	–	1,526	756	2,282	(540)	1,742
Transfer of legal reserve	–	265	(277)	(12)	12	–
Changes in ownership interest in a subsidiary without loss of control (Note 16)	–	–	60	60	799	859
Dividend paid to non-controlling interests	–	–	–	–	(63)	(63)
End of financial year	36,985	1,130	(11,420)	26,695	4,844	31,539
2010 (Restated)						
Beginning of financial year	36,985	(117)	(13,231)	23,637	3,574	27,211
Profit/(loss) for the year	–	–	384	384	(1,755)	(1,371)
Other comprehensive loss for the year, net of tax						
– Currency translation differences arising from consolidation	–	(977)	–	(977)	(6)	(983)
Total comprehensive (loss)/income for the year	–	(977)	384	(593)	(1,761)	(2,354)
Transfer of legal reserve	–	294	(322)	(28)	28	–
Acquisition of subsidiaries	–	–	–	–	3,800	3,800
Acquisition of non-controlling interests without a change in control	–	139	1,210	1,349	(1,005)	344
End of financial year	36,985	(661)	(11,959)	24,365	4,636	29,001

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Group	
		Restated
	2011	2010
	$'000	$'000
Cash flows from operating activities		
Profit before income tax from continuing operations	**2,317**	2,487
Loss before income tax from discontinued operations	**(244)**	(2,024)
Profit before income tax, total	**2,073**	463
Adjustments for:		
Amortisation of intangible assets	**58**	38
Amortisation of land use rights	**65**	122
Impairment loss of intangible assets	**–**	237
Impairment loss of property, plant and equipment	**159**	2,818
Depreciation of property, plant and equipment	**1,375**	1,227
Depreciation of investment properties	**–**	2
Gain on disposal of property, plant and equipment	**(14)**	(2)
Gain on bargain purchase	**–**	(68)
Gain on disposal of disposal group classified as held-for-sale	**(28)**	–
Share of loss/(profit) of a joint venture	**104**	(19)
Finance income from service concession arrangements	**(3,064)**	(2,106)
Interest income	**(34)**	(77)
Interest expense	**1,614**	1,467
Unrealised currency translation losses/(gains)	**2,277**	(3,479)
Operating cash flow before working capital changes	**4,585**	623
Changes in working capital, net of effects from acquisition of subsidiaries		
Inventories	**623**	89
Construction work-in-progress	**2,498**	626
Trade and other receivables	**(4,699)**	(15,336)
Trade and other payables	**7,260**	3,077
Cash generated from/(used in) operations	**10,267**	(10,921)
Income tax paid	**(1,225)**	(749)
Net cash generated from/(used in) operating activities	**9,042**	(11,670)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note 16)	**859**	3,866
Additional investment in an existing joint venture	**(84)**	–
Additions to property, plant and equipment	**(2,729)**	(2,319)
Additions of intangible assets	**(64)**	(151)
Proceed from disposal of property, plant and equipment	**51**	5
Proceed from disposal of disposal group classified as held-for-sale	**269**	–
Interest received	**34**	77
Net cash (used in)/generated from investing activities	**(1,664)**	1,478

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Group	
		Restated
	2011	2010
	$'000	$'000
Cash flows from financing activities		
Proceeds from borrowings	**1,689**	15,990
Pledged of short-term deposits	**(1,887)**	(425)
Repayment of borrowings	**(7,447)**	(6,017)
Repayment of finance lease liabilities	**(234)**	(361)
Interest paid	**(1,614)**	(1,456)
Dividend paid to non-controlling interests	**(63)**	–
Net cash (used in)/generated from financing activities	**(9,556)**	7,731
Net decrease in cash and cash equivalents	**(2,178)**	(2,461)
Cash and cash equivalents		
Beginning of financial year	**11,290**	13,684
Effect of currency translations on cash and cash equivalents	**(121)**	67
End of financial year	**8,991**	11,290

During the financial year ended 31 December 2010, the Group acquired property, plant and equipment with an aggregate cost of $75,000 of which $36,000 was acquired by means of finance leases arrangements.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	$'000	$'000
Cash at bank and on hand, and short-term deposits:		
– Continuing operations (Note 12)	15,617	14,952
– Discontinued operations (Note 10)	2	–
	15,619	14,952
Bank overdrafts (Note 23)	(2,511)	(1,432)
Short-term deposits pledged (Note 12)	(4,117)	(2,230)
	8,991	11,290

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Darco Water Technologies Limited (the "Company") is listed on the Singapore Stock Exchange and incorporated and domiciled in Singapore. The registered office and principal place of business of the Company is located at 123 Woodlands Industrial Park E5, E-Terrace, Singapore 757498.

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 described in Note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Going concern

The Company incurred losses of $3.74 million, after deducting allowances for impairment of receivables from subsidiaries of $2.10 million for the financial year. The Group's and the Company's current liabilities exceeded the current assets by $30.76 million and $10.47 million, respectively as at 31 December 2011.

As disclosed in Note 27, the Group have several on-going litigations as at 31 December 2011.

In addition, the Group and the Company breached certain financial covenants of certain borrowings as at 31 December 2011 as disclosed in Note 23. However, the banks have not enforced their rights for immediate repayments.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company to continue as a going concern depends on the ability of the Group and the Company to generate profit from operations and obtain additional fundings for its working capital requirements in the next twelve months. It is presently not possible to determine the eventual outcome of such strategies.

The financial statements have been prepared on the assumption that the Group and the Company will continue as a going concern. If the Group and the Company are unable to continue in operational existence for the foreseeable future, and the Group and the Company may be unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"), except for non-compliance with the following FRS:

FRS 1	Presentation of Financial Statements
FRS 8	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 36	Impairment of Assets
FRS 107	Financial Instruments: Disclosures
FRS 108	Operating Segments

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

On 1 January 2011, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.3 Group accounting

(i) Subsidiaries

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(i) Subsidiaries (Continued)

Consolidation (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to Note 2.6 for the subsequent accounting policy on goodwill.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(i) Subsidiaries (Continued)

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained investment in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.4 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in retained earnings within equity attributable to the equity holders of the Company.

(iii) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Acquisitions

Investments in joint ventures are initially recognised at cost. The cost of the acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint ventures represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amounts of the investments.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(iii) Joint ventures (Continued)

Equity method of accounting

In applying the equity method of accounting, the Group's share of its joint venture's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Disposals

Investments in joint ventures are derecognised when the Group loses the joint control over the joint venture. Any retained investment in the joint venture is remeasured at its fair value.

The difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Please refer to Note 2.4 for the accounting policy on investments in joint ventures in the separate financial statements of the Company.

2.4 Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are initially recognised at cost and subsequently carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of the investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

(i) Measurement

Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Freehold buildings and leasehold properties are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(ii) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Freehold buildings	50 years
Leasehold properties	30 to 50 years
Renovation	5 years
Motor vehicles	5 years
Plant and equipment	3 to 10 years

Assets under construction are not depreciated as these assets are not yet available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.6 Intangible assets

(i) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries or businesses on or after 1 January 2010 represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries or businesses prior to 1 January 2010 and on acquisition of joint ventures represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and joint ventures include the carrying amount of goodwill relating to the entity sold.

(ii) Franchise

Franchise is initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over the estimated useful life of 6 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Land use rights

Land use rights are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised on a straight line basis over the remaining years of rights allocated to use the land of 25 and 50 years, respectively.

The amortisation period and amortisation method are reviewed at each reporting date.

2.8 Impairment of non-financial assets

(i) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in a joint venture is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) Intangible assets
Property, plant and equipment
Investments in subsidiaries and joint ventures
Land use rights

Intangible assets, property, plant and equipment, investments in subsidiaries and joint ventures and land use rights are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

(ii) Intangible assets (Continued)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.9 Service concession arrangements

(i) Financial receivables

The Group recognises financial receivable arising from service concession arrangement when it has an unconditional right to receive cash or another financial assets during the concession period. The financial receivable is measured at fair value upon initial recognition. Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial receivable (if any), which will be used to reduce the carrying amount of the financial receivable on its statement of financial position, (ii) interest income, which will be recognised as finance income in profit or loss and (iii) revenue from operation and maintaining the plants to be recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Service concession arrangements (Continued)

(ii) Construction services

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts as stated in Note 2.10.

Where the Group performs more than one service in a service concession arrangement, consideration received or receivable are allocated to the components by reference to their relative fair values of the services delivered, when the amounts are separately identifiable.

(iii) Operation and maintenance services

Revenue derived from the provision of operating and maintenance services under a service concession arrangement is recognised in the period in which the services are performed by the Group.

(iv) Finance income

Interest income on the financial receivables is recognised in profit or loss using the effective interest method.

2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress under trade and other receivables on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Construction contracts (Continued)

At the reporting date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.12 Financial assets

(i) Classification

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's only financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "disposal group classified as held-for-sale" on the statements of financial position.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

(iii) Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest income on financial assets are recognised separately in profit or loss.

(v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

(i) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(ii) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the statements of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital account. When the conversion option lapses, its carrying amount is transferred to retained earnings.

2.15 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts due to the short-term maturity of these instruments.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions (Continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised in the profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.19 Legal reserve

In accordance with the relevant laws and regulations of The People's Republic of China ("PRC"), the subsidiaries of the Company established in the PRC is required to transfer 10% of its profit after income tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented net of value-added tax, goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Revenue from sales of goods

Revenue from sales of goods is recognised when a Group entity has delivered the products to the customer, the customers have accepted the products and collectability of the related receivables is reasonably assured.

(ii) Revenue from service concession arrangements

Revenue from service concession arrangements for water treatment services is recognised in accordance with Note 2.9.

(iii) Revenue from rendering of service

Revenue from rendering of service is recognised when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

(iv) Revenue from construction contracts

Revenue from construction contracts is recognised in accordance with Note 2.10.

(v) Interest income

Interest income is recognised using the effective interest method.

(vi) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.22 Leases

(i) When the Group is the lessee

The Group leases motor vehicles and certain plant and machinery under finance leases and offices, hostels, factories and warehouses under operating leases from non-related parties.

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

(ii) When the Group is the lessor

The Group leases investment properties under operating leases to non-related parties.

Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

2.23 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

2.24 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.26 Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars, which is the Company’s functional and presentation currency.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Currency translation (Continued)

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(c) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Dividends to the Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.28 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts and excludes pledged deposits. Bank overdrafts are presented as current borrowings on the statements of financial position.

2.29 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Notes to the Financial Statements

For the financial year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amount of the asset or liability affected in the future.

(a) Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Revenue recognition of the Group involves the application of judgment to the following:

(i) the identification and determination of percentage of completion of construction contracts; and

(ii) the identification and determination of service concession arrangements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(a) Judgments made in applying accounting policies (Continued)

Revenue recognition (Continued)

The Group has recognised revenue from construction contracts amounting to $33,620,000 (2010: $27,228,000) from continuing operations.

The Group has also recognised revenue from service concession arrangements amounting to $8,467,000 (2010: $19,511,000) from continuing operations.

Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test.

The carrying amounts of the Group's deferred income tax assets at the reporting date are disclosed in Note 22.

(b) Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment, investments in subsidiaries and joint ventures, and land use rights are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations.

The carrying amounts of the Group's intangible assets, property, plant and equipment, investment in a joint venture and land use rights at the reporting date are disclosed in Notes 19, 18, 17 and 20 respectively.

The carrying amounts of the Company's investments in subsidiaries are disclosed in Note 16.

Notes to the Financial Statements

For the financial year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(b) Key source of estimation uncertainty (Continued)

Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is concluded and is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's and the Company's tax recoverable at the reporting date were $223,000 (2010: $380,000) and $6,000 (2010: $6,000) respectively.

The carrying amounts of the Group's and the Company's current income tax liabilities were $712,000 (2010: $723,000) and $Nil (2010: $231,000) respectively.

The carrying amounts of the Group's deferred income tax assets and deferred income tax liabilities are disclosed in Note 22.

Construction contract

The Group uses the percentage of completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

The stage of completion of each construction contract is assessed on a cumulative basis at each reporting date. Changes in estimates of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract could impact the amount of revenue and expenses recognised in the profit or loss in the years in which the change is made and in subsequent years. Such impact could potentially be significant.

The carrying amounts of assets and liabilities arising from construction contracts at the reporting date are disclosed in Note 15.

Notes to the Financial Statements

For the financial year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(b) Key source of estimation uncertainty (Continued)

Service concession arrangements

The consideration for the services provided under the service concession arrangements is allocated to the components by reference to their relative fair values. Revenue for construction services provided under the service concession arrangements and the corresponding financial receivables arising are recognised based on the percentage of completion method during the construction phase.

The percentage of completion method during the construction phase is measured by reference to the proportion that construction costs incurred to date bear to the estimated total construction costs. Significant judgment is required in determining the stage of completion, the extent of the construction costs incurred and the estimated total construction costs.

Significant judgment is also exercised in determining the fair values of the financial receivables. Discount rates, estimates of future cash flows and other factors are used in the determination of the fair value of financial assets on initial recognition, as well as the amortised cost and corresponding financial income during the operation phase of financial asset. The residual consideration is recognised as operating income. The assumptions used and estimates may result in different fair value estimates.

The carrying amounts of financial receivables from service concession arrangements are disclosed in Note 13 and Note 21.

Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgments as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of the Group's and the Company's loans and receivables are $88,880,000 and $29,631,000 (2010: $78,488,000 and $33,838,000) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2011

4. REVENUE

	Group	
		Restated
	2011	2010
	$'000	$'000
Revenue from construction contracts	33,620	27,228
Revenue from service concession arrangements	8,467	19,511
Rendering of services	8,220	9,878
Sales of goods	11,714	11,091
	62,021	67,708

5. OTHER INCOME

	Group	
		Restated
	2011	2010
	$'000	$'000
Finance income from service concession arrangements	3,064	2,106
Interest income	32	77
Rental income from investment properties	–	4
Government grant	18	9
Gain on foreign exchange	–	1,485
Gain on disposal of property, plant and equipment	14	3
Gain on disposal of disposal group classified as held-for-sale	28	–
Write back of long outstanding trade payables	237	–
Miscellaneous income	252	184
	3,645	3,868

6. FINANCE EXPENSES

	Group	
		Restated
	2011	2010
	$'000	$'000
Interest expense on:		
– bank borrowings	1,595	1,440
– convertible notes (Note 23)	–	11
– finance lease liabilities	19	16
	1,614	1,467

Notes to the Financial Statements

For the financial year ended 31 December 2011

7. PROFIT BEFORE INCOME TAX

	Group	
		Restated
	2011	2010
	$'000	$'000
Profit before income tax arrived at after charging/(crediting):		
Allowance for impairment of receivables (Note 13)	**117**	179
Amortisation of intangible assets – Franchise (Note 19)	**58**	38
Amortisation of land use rights (Note 20)	**65**	122
Auditors' remuneration paid/payable to:		
– auditor of the Company	**230**	130
– other auditors	**93**	81
– special auditor	**–**	250
Depreciation of investment properties	**–**	2
Depreciation of property, plant and equipment (Note 18)	**1,375**	881
Directors' fees	**204**	187
Employee compensation (Note 8)	**12,199**	10,336
Fee for non-audit services paid/payable to:		
– auditor of the Company	**–**	–
– other auditors	**7**	–
Gain on bargain purchase	**–**	(68)
Impairment loss of intangible assets – Franchise (Note 19)	**–**	237
Impairment loss of property, plant and equipment (Note 18)	**159**	2,204
Inventories written down (Note 14)	**46**	113
Loss on disposal of property, plant and equipment	**–**	1
Loss on foreign exchange	**623**	–
Rental expense for operating leases	**255**	752

8. EMPLOYEE COMPENSATION

	Group	
		Restated
	2011	2010
	$'000	$'000
Wages and salaries	**10,670**	8,979
Employer's contribution to defined contribution plans including Central Provident Fund	**900**	823
Other long-term benefits	**629**	534
	12,199	10,336

Notes to the Financial Statements

For the financial year ended 31 December 2011

9. INCOME TAX EXPENSE

	Group	
		Restated
	2011	2010
	$'000	$'000
Income tax expense attributable to profit/(loss) is made up of:		
Profit/(loss) from current financial year:		
From continuing operations		
Current income tax		
– Singapore	**209**	275
– Foreign	**1,307**	1,036
Deferred income tax	**579**	865
From discontinued operations		
Deferred income tax	**–**	21
	2,095	2,197
Over provision of taxation in prior financial years:		
From continuing operations		
Current income tax	**(158)**	(56)
Deferred income tax	**(42)**	(307)
	(200)	(363)
	1,895	1,834
Income tax expense is attributable to:		
– continuing operations	**1,895**	1,813
– discontinued operations (Note 10)	**–**	21
	1,895	1,834

Notes to the Financial Statements

For the financial year ended 31 December 2011

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit/(loss) in the countries where the Group operates due to the following factors:

	$'000	$'000
Profit/(loss) before tax from:		
– continuing operations	**2,317**	2,487
– discontinued operations (Note 10)	**(244)**	(2,024)
	2,073	463
Share of loss/(profit) of a joint venture, net of tax	**104**	(19)
Profit before tax excluded share of loss/(profit) of a joint venture	**2,177**	444
Tax at the domestic rates applicable to profit/(loss) in the countries where the Group operates	**812**	(376)
Expenses not deductible for tax purposes	**712**	2,402
Over provision of taxation in prior financial years	**(200)**	(363)
Income not subject to tax	**(173)**	(283)
Deferred tax benefits not recognised	**964**	1,038
Income tax exemption	**(77)**	(582)
Utilisation of previously unrecognised tax losses	**(203)**	(92)
Others	**60**	90
	1,895	1,834

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

Darco Engineering (Taiwan) Co., Ltd. ("DET") set up a indirect subsidiary, Northern Union Assortment Recycling Co., Ltd. ("Northern Union") to enter into a build-operate-own ("BOO") contract dated 8 November 2007, with Taoyuan County Government ("TCG"). Under the BOO contract, Northern Union will buy from TCG and process a minimum of 50 tonnes domestic garbage per day from 1 June 2008 to 31 May 2014. Northern Union will have to recover valuable recyclable products from processing the garbage.

Northern Union is required to pay (a) a franchise fee of NTD$5 million and (b) operating concession including (1) material concession at NTD$1,560 per metric ton and (2) operating commission (the operating income less material concession x 7%) during the contract period.

The Group invested $3.52 million (NTD$80 million) to construct and operate the Waste Recycling Plant pursuant to the BOO contract in 2008. Several months into the operation, Northern Union discovered that it was operating at a big loss due to a very low level of recyclable materials. An independent audit was commissioned to look for the cause of this problem. Based on the independent audit, there is only an average of 9% yield of recyclable product from the garbage. This is a deviation from the 17% yield that was represented in the tender document.

On 16 November 2009, TCG asked Northern Union to stop its operation and also stop sending recyclable items from six townships in northern Taoyuan to Northern Union's plant. The Group filed a claim on 12 February 2010 to recover the franchise and concession fees paid, as well as compensation for the cost of investment and expected profit totalling to approximately $5.62 million (NTD$128 million).

Notes to the Financial Statements

For the financial year ended 31 December 2011

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

On 20 December 2011, Northern Union's immediate holding company, Darco Wan Yuan Develop Co., Ltd. ("Darco Wan Yuan") also discontinued its operations.

Due to the matters described in the above paragraphs, the entire assets and liabilities related to Northern Union and Darco Wan Yuan are classified as a disposal group held-for-sale in the statement of financial position, and the entire results from Northern Union and Darco Wan Yuan are presented separately in the consolidated statement of comprehensive income as "Discontinued operations".

On 2 December 2010, Darco Industrial Water Sdn. Bhd. entered into a Sale and Purchase Agreement to dispose of the investment property with carrying amount of $110,000 for a total cash consideration of approximately $125,000 (RM300,000). Accordingly, the investment property was also classified as a disposal group held-for-sale in the statement of financial position in 2010. This transaction was completed in current financial year.

On 30 March 2010, DET entered into an agreement with a third party for 20% investment in Forest Environmental Engineering Co., Ltd. ("Forest Environmental") through a loan granted from the same third party. Subsequently, both parties have agreed to settle the loan via transferred the 20% investment in Forest Environmental to the third party, but subject to the approval from TCG. Accordingly, this investment was also classified as a disposal group held-for-sale in the statement of financial position.

On 2 December 2011, Darco Engineering Pte. Ltd. entered into an agreement to sell the leasehold property located at 41 Loyang Drive, Singapore 508952 with carrying amount of $1,088,000 for a cash consideration of $3,400,000. This transaction is completed on 9 April 2012 as disclosed in Note 31(ii). Accordingly, this leasehold property is classified as a disposal group held-for-sale in the statement of financial position.

(a) Results of the discontinued operations are as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other income	**–**	6
Administrative expenses	**(192)**	(1,980)
Finance expenses	**(52)**	(50)
Loss before income tax from discontinued operations	**(244)**	(2,024)
Income tax expense (Note 9)	**–**	(21)
Loss from discontinued operations, net of tax	**(244)**	(2,045)

Notes to the Financial Statements

For the financial year ended 31 December 2011

10. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) The impact of the discontinued operations on the cash flows of the Group are as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Operating cash flows	**(259)**	(780)
Investing cash flows	**133**	–
Financing cash flows	**–**	(419)
Total cash flows	**(126)**	(1,199)

(c) Details of disposal group classified as held-for-sale are as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Property, plant and equipment	**1,088**	136
Investment in unquoted shares	**3,538**	3,600
Investment properties	**–**	110
Trade and other receivables	**7**	7
Cash and cash equivalents	**2**	–
	4,635	3,853

(d) Liabilities directly associated with disposal group classified as held-for-sale are as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Trade and other payables	**1,264**	1,290
Deferred income tax liabilities	**13**	13
	1,277	1,303

	Group	
		Restated
	2011	2010
	$'000	$'000
(e) Cumulative income/(loss) recognised in other comprehensive income/(loss) relating to disposal group classified as held-for-sale are as follows:		
– currency translation differences arising from consolidation	**13**	(37)

Notes to the Financial Statements

For the financial year ended 31 December 2011

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Continuing operations		Discontinued operations		Total	
		Restated		Restated		Restated
Group	**2011**	2010	**2011**	2010	**2011**	2010
Net profit/(loss) attributable to equity holders of the Company ($'000)	**1,000**	2,429	**(244)**	(2,045)	**756**	384
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share ('000)	**276,685**	276,685	**276,685**	276,685	**276,685**	276,685
Basic earnings/(loss) per share (cents per share)	**0.36**	0.88	**(0.09)**	(0.74)	**0.27**	0.14

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares for the financial year.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**10,414**	11,858	**3,223**	1,438
Short-term bank deposits	**5,203**	3,094	**–**	–
	15,617	14,952	**3,223**	1,438

Short-term bank deposits have original maturities of three months or less.

Short-term bank deposits include an amount of $4,117,000 (2010: $2,230,000) which have been pledged to banks as collateral for banking facilities granted to the subsidiaries (Note 23).

Notes to the Financial Statements

For the financial year ended 31 December 2011

13. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade receivables – Non-related parties	**14,366**	15,959	**–**	644
Less: Allowance for impairment	**(4,729)**	(4,902)	**–**	–
Trade receivables – net	**9,637**	11,057	**–**	644
Construction contracts				
– Due from customers (Note 15)	**9,817**	10,429	**–**	–
– Retentions (Note 15)	**–**	787	**–**	–
	9,817	11,216	**–**	–
Financial receivables from service concession arrangements	**57,835**	48,059	**–**	–
Less: Non-current portion (Note 21)	**(56,844)**	(47,291)	**–**	–
	991	768	**–**	–
Other receivables:				
– Subsidiaries (a)	**–**	–	**61,121**	64,378
– Joint venture (a)	**277**	126	**–**	–
– Non-related parties	**2,061**	1,976	**7**	–
	2,338	2,102	**61,128**	64,378
Less: Allowance for impairment				
– subsidiaries	**–**	–	**(34,720)**	(32,622)
– non-related parties	**(1,501)**	(1,748)	**–**	–
	837	354	**26,408**	31,756
Deposits (b)	**4,839**	3,999	**–**	–
Less: Allowance for impairment	**–**	(808)	**–**	–
	4,839	3,191	**–**	–
Staff loans (c)	**106**	81	**–**	–
Prepayments	**573**	2,535	**2**	2
Tax recoverable	**223**	380	**6**	6
	27,023	29,582	**26,416**	32,408

Notes to the Financial Statements

For the financial year ended 31 December 2011

13. TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

Movement in allowance for impairment of trade and other receivables during the financial year are as follows:

	$'000	$'000	**$'000**	$'000
Beginning of financial year	**7,458**	7,313	**32,622**	32,153
Allowance made (Note 7)	**117**	179	**6,181**	469
Allowance written off	**(1,091)**	(5)	**–**	–
Write-back of allowance	**(161)**	–	**(4,083)**	–
Currency translation differences	**(93)**	(29)	**–**	–
End of financial year	**6,230**	7,458	**34,720**	32,622

(a) Amounts owing by subsidiaries and joint venture are non-trade in nature, unsecured, interest-free and repayable on demand except for an amount owing by a subsidiary ("Globe Industrial Technology Co., Ltd.") which bears interest rate of Nil% (2010: 6.85%) per annum.

(b) Included in deposits of the Group in 2010 was an amount of $767,000 or US$500,000 which relates to a refundable deposit paid to a third party vendor for the Group's acquisition of 10% interest, comprising 150,000 ordinary shares of Rupiah 1 each, in PT Air Bintan Biru ("PT ABB"), a company incorporated in the Republic of Indonesia. The total consideration is $3,874,000 or US$3,000,000. The remaining consideration of $3,107,000 or US$2,500,000 is payable upon the fulfillment of certain conditions in the sale and purchase agreement dated 24 May 2003.

PT ABB is a special purpose vehicle mandated for the purpose of holding the concession of the water resources in Bintan. It is also responsible for the development of such water resources and is the designated representative of the Indonesian Government in its negotiations to sell water to the Singapore Government.

Due to the volatility and uncertainty of the present economic situation in the Indonesia region, the conditions have yet to be fulfilled by the vendor and the project has been put on hold for the past few years. Management has made a full impairment loss of the said deposits in 2006 and written off the deposits and impairment loss in current financial year.

(c) Staff loans include loan amounting to $Nil (2010: $20,000) made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2011

14. INVENTORIES

	Group 2011 $'000	Group Restated 2010 $'000
Raw materials	**1,268**	1,774
Trading goods	**250**	367
	1,518	2,141

	2011 $'000	Restated 2010 $'000
Consolidated Statement of Comprehensive Income		
Inventories recognised as an expense in cost of sales	**8,819**	8,458
Inclusive of inventories written down	**46**	113

15. CONSTRUCTION CONTRACTS

	Group		Company	
	2011	Restated 2010	**2011**	Restated 2010
	$'000	$'000	**$'000**	$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**34,752**	65,249	**–**	491
Less: Progress billings	**(30,603)**	(58,602)	**–**	(691)
	4,149	6,647	**–**	(200)
Presented as:				
Due from customers on construction contracts (Note 13)	**9,817**	10,429	**–**	–
Due to customers on construction contracts (Note 24)	**(5,668)**	(3,782)	**–**	(200)
	4,149	6,647	**–**	(200)
Retentions on construction contracts (Note 13)	**–**	787	**–**	–

Notes to the Financial Statements

For the financial year ended 31 December 2011

16. INVESTMENTS IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Equity investments at cost	**7,276**	7,276
Less: Accumulated impairment losses	**(2,679)**	(2,679)
	4,597	4,597

Listing of subsidiaries in the Group are as follows:

Name of companies/Country of business/incorporation	Principal activities	Effective equity holding 2011 %	Effective equity holding 2010 %
Held by the Company			
Darco Engineering Pte Ltd @ Singapore	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business	**100**	100
Darco Environmental Pte Ltd @ Singapore	Investment holding	**100**	100
Darco Water Systems Sdn. Bhd. ## Malaysia	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business and trading in related industrial products	**100**	100
PV Vacuum Engineering Pte. Ltd. @@ Singapore	Design and supply of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies	**100**	100

Notes to the Financial Statements

For the financial year ended 31 December 2011

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Listing of subsidiaries in the Group are as follows: (Continued)

Name of companies/Country of business/incorporation	Principal activities	Effective equity holding 2011 %	Effective equity holding 2010 %
Held by subsidiaries			
Darco Engineering (Taiwan) Co., Ltd. # 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	**97.95**	97.95
P.T. Darco Indonesia * Indonesia	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	**51**	51
Darco Environmental (Philippines) Inc. ^ The Philippines	Designing, installation and commissioning of treatment systems for water purification, treatment of waste water and other waste discharge for industrial use, providing services and supplying chemicals and components used in manufacturing and maintenance water treatment systems	**65**	65
Globe Industrial Technology Co., Ltd. @@@ Hong Kong	Investment holding	**91**	91
Deqing Darco Producing Water Co., Ltd. @@@ The People's Republic of China	Building, operation and transfer ("BOT") of a waste water treatment plant and the production and supply of tap water	**100**	100
Shanghai Darco Engineering Co., Ltd. @@@ The People's Republic of China	Design and fabrication of water treatment systems and provision of consultancy services in relation to such business	**100**	100
Darco Systems (M) Sdn. Bhd. ## Malaysia	Ceased operations	**100**	100

Notes to the Financial Statements

For the financial year ended 31 December 2011

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Listing of subsidiaries in the Group are as follows: (Continued)

Name of companies/Country of business/incorporation	Principal activities	Effective equity holding 2011 %	Effective equity holding 2010 %
Held by subsidiaries (Continued)			
Darco Industrial Water 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	**100**	100
WWMG Environmental Sdn. Bhd. ## Malaysia	Dormant	**100**	100
Deqing Huanzhong Producing Water Co., Ltd. @@@ The People's Republic of China	Building, operation and transfer ("BOT") of a waste water treatment plant and the production and supply of tap water	**91**	91
Darco Environmental (Taiwan) Inc. # Taiwan	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	**59.58**	59.58
Darco Wan Yuan Develop Co., Ltd. # Taiwan	Ceased operations	**100**	100
Northern Union Assortment Recycling Co., Ltd. # Taiwan	Ceased operations	**100**	100
Puzer Asia Pte Ltd @@ Singapore	Trading in vacuum cleaning systems and provision of related services	**56**	56
Darco Puding Wastewater Management Co., Ltd. # Taiwan	Supply of potable water	**51**	51

Notes to the Financial Statements

For the financial year ended 31 December 2011

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Listing of subsidiaries in the Group are as follows: (Continued)

Name of companies/Country of business/incorporation	Principal activities	Effective equity holding 2011 %	2010 %
Held by subsidiaries (Continued)			
Darco Remediation Technologies Inc. # Taiwan	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	**100**	100
WLF Industrial Co., Ltd. # Taiwan	Sludge scrapper systems for sedimentation tanks	**100**	100
Darco Yoli Co., Ltd. # Taiwan (b)	Recycling of medical waste	**60**	–

@ Audited by Baker Tilly TFW LLP, Singapore.

@@ Audited by Tan, Teo & Partners Pac, Singapore.

@@@ Audited by Er & Co., Singapore in 2011 and Lixin International, Singapore in 2010 for the purpose of preparation of the consolidated financial statements.

Audited by Sun Rise CPAs & Company, Taiwan.

Audited by Peter Chong & Co., Malaysia.

^ Audited by Fernandez, Santos & Lopez, Philippines.

* Audited by Doli, Bambang, Sudarmadji & Dadang, Indonesia in 2010. Audited financial statements of P.T. Darco Indonesia for the financial year ended 31 December 2011 are not available as of the date of this report.

(a) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

(b) Newly incorporated during the financial year ended 31 December 2011.

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16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the financial year, the Group incorporated a new subsidiary, Darco Yoli Co., Ltd. ("Darco Yoli") through injection of the property, plant and equipment and deferred expenditure totalling $4.14 million (NTD$96.04 million). Subsequently, the Group disposed of 40% interest in Darco Yoli to a third party for a cash consideration of $859,000 (NTD$20.00 million). The following summarises the effect of the change in the Group's ownership interest in Darco Yoli on the equity attributable to equity holders of the Company:

	$'000
Carrying amount of non-controlling interests acquired	799
Consideration received from non-controlling interests, net of transaction costs	859
Increase in equity attributable to equity holders of the Company	60

17. INVESTMENT IN A JOINT VENTURE

The Group has 51% equity interest in Darco-Envidan Sdn. Bhd., which provides designing, fabricating and constructing pure and waste water treatment plants, and trading in related industrial products in Malaysia. Darco-Envidan Sdn. Bhd. is deemed to be a joint venture of the Group as the appointment of its directors and the allocation of voting rights for key business decisions require the unanimous approval of its venturers.

	Group	
		Restated
	2011	2010
	$'000	$'000
Equity investment at cost	**209**	125
Share of post acquisition reserves	**(150)**	(46)
Currency translation differences	**–**	1
	59	80

Notes to the Financial Statements

For the financial year ended 31 December 2011

17. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The summarised financial information of the joint venture, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2011	Restated 2010
	$'000	$'000
Current assets	**504**	465
Non-current assets	**24**	34
Total assets	**528**	499
Current liabilities	**402**	321
Non-current liabilities	**11**	21
Total liabilities	**413**	342
Net assets	**115**	157
Revenue	**1,794**	1,118
Cost of sales	**(1,863)**	(972)
Gross (loss)/profit	**(69)**	146
Other income	**–**	24
Distribution expenses	**(18)**	(12)
Administrative expenses	**(113)**	(110)
Finance expenses	**(3)**	(3)
(Loss)/profit before income tax	**(203)**	45
Income tax expense	**(1)**	(9)
(Loss)/profit and total comprehensive (loss)/income for the year	**(204)**	36

The Group has provided corporate guarantee of $1,516,000 (2010: $1,547,000) to financial institution for the banking facilities granted to Darco-Envidan Sdn. Bhd..

There are no capital commitments relating to the Group's investment in a joint venture at the reporting date.

Details of the joint venture are as follows:

Name of joint venture/Country of business/incorporation	**Principal activities**	**Effective equity holding 2011 %**	Effective equity holding 2010 %
Held by subsidiary			
Darco-Envidan Sdn. Bhd. ## Malaysia	Designing, fabricating and constructing pure and waste water treatment plants and trading in related industrial products	**51**	51

Audited by Peter Chong & Co., Malaysia.

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18. PROPERTY, PLANT AND EQUIPMENT

Group 2011	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Renovation $'000	Assets under construction $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Cost								
Beginning of financial year	2,224	1,005	2,663	123	1,472	1,252	8,187	16,926
Additions	–	–	745	–	270	46	1,668	2,729
Disposals	–	–	–	–	–	(107)	(56)	(163)
Write-off	–	–	–	–	–	(27)	(163)	(190)
Reclassification	–	–	344	–	(1,677)	–	1,333	–
Reclassified to disposal group classified as held-for-sale (Note 10)	–	–	(1,592)	–	–	–	–	(1,592)
Currency translation differences	(39)	(21)	51	–	(26)	–	(44)	(79)
End of financial year	2,185	984	2,211	123	39	1,164	10,925	17,631
Accumulated depreciation								
Beginning of financial year	–	164	644	123	–	786	4,443	6,160
Depreciation charge for the year	–	19	111	–	–	165	1,080	1,375
Disposals	–	–	–	–	–	(71)	(55)	(126)
Write-off	–	–	–	–	–	(27)	(163)	(190)
Reclassified to disposal group classified as held-for-sale (Note 10)	–	–	(504)	–	–	–	–	(504)
Currency translation differences	–	(3)	11	–	–	3	(1)	10
End of financial year	–	180	262	123	–	856	5,304	6,725
Accumulated impairment loss								
Beginning of financial year	1,549	–	–	–	–	–	952	2,501
Additions	–	–	–	–	–	43	116	159
Currency translation differences	(88)	–	–	–	–	–	(16)	(104)
End of financial year	1,461	–	–	–	–	43	1,052	2,556
Net carrying amount								
End of financial year	724	804	1,949	–	39	265	4,569	8,350

Notes to the Financial Statements

For the financial year ended 31 December 2011

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2010 (Restated)	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Renovation $'000	Assets under construction $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Cost								
Beginning of financial year	2,205	984	2,719	123	1,332	1,161	5,815	14,339
Additions	–	–	–	–	130	134	2,091	2,355
Additions on acquisition of a subsidiary	–	–	–	–	–	–	376	376
Disposals	–	–	–	–	–	(34)	(49)	(83)
Currency translation differences	19	21	(56)	–	10	(9)	(46)	(61)
End of financial year	2,224	1,005	2,663	123	1,472	1,252	8,187	16,926
Accumulated depreciation								
Beginning of financial year	–	141	567	123	–	655	3,904	5,390
Depreciation charge for the year	–	20	86	–	–	170	605	881
Disposals	–	–	–	–	–	(31)	(49)	(80)
Currency translation differences	–	3	(9)	–	–	(8)	(17)	(31)
End of financial year	–	164	644	123	–	786	4,443	6,160
Accumulated impairment loss								
Beginning of financial year	–	–	–	–	–	–	259	259
Additions	1,524	–	–	–	–	–	680	2,204
Currency translation differences	25	–	–	–	–	–	13	38
End of financial year	1,549	–	–	–	–	–	952	2,501
Net carrying amount								
End of financial year	675	841	2,019	–	1,472	466	2,792	8,265

(a) At the reporting date, the carrying amounts of motor vehicles held under finance leases (Note 23) are $133,000 (2010: $194,000).

(b) At the reporting date, freehold land with carrying amount of $86,000 (2010: $426,000) have yet to be registered in the name of the Group. Freehold land with carrying amount of $394,000 (2010: $338,000) are mortgaged to a related party for credit facilities granted to a subsidiary's supplier.

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18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) At the reporting date, leasehold properties with carrying amount of $670,000 (2010: $Nil) are mortgaged to bank to secure banking facilities of the Group (Note 23).

(d) At the reporting date, 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	JTC standard terrace/ detached factory 30-years lease with effect from 1 April 2002	2,320	1,010	Office, factory and warehouse
Lot 10645, Jalan Permata 1/6, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus, Malaysia	Freehold land	4,572	1,512	Office, factory and warehouse
No. 5, Wurih Township, Town Urban, Qing Guan Road, 65-1 Tong An Segment, 341-2, Taiwan	Freehold land and building	76,445	1,248	Office, factory and warehouse
Wurih Towship, Town Urban, Tong An Segment 253-1, Taiwan	Freehold land	17,199	–	Office, factory and warehouse
Lot No. 6546, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang Malaysia	Leasehold land and building	1,009	984	Office, factory and warehouse
Lot No. 6547, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang Malaysia	Leasehold land and building	1,009	984	Office, factory and warehouse

Notes to the Financial Statements

For the financial year ended 31 December 2011

19. INTANGIBLE ASSETS

	Group 2011 $'000	Group Restated 2010 $'000
Goodwill arising on consolidation (Note (a))	**1,216**	1,216
Franchise (Note (b))	**7**	–
	1,223	1,216

(a) Goodwill arising on consolidation

	Group 2011 $'000	Group Restated 2010 $'000
Cost		
Beginning and end of financial year	**1,266**	1,266
Accumulated impairment loss		
Beginning and end of financial year	**50**	50
Net carrying amount		
End of financial year	**1,216**	1,216

(b) Franchise

	Group 2011 $'000	Group Restated 2010 $'000
Cost		
Beginning of financial year	**285**	131
Additions	**64**	151
Currency translation differences	**(4)**	3
End of financial year	**345**	285
Accumulated amortisation		
Beginning of financial year	**44**	5
Amortisation charge (Note 7)	**58**	38
Currency translation differences	**(1)**	1
End of financial year	**101**	44
Accumulated impairment loss		
Beginning of financial year	**241**	–
Impairment charge (Note 7)	**–**	237
Currency translation differences	**(4)**	4
End of financial year	**237**	241
Net carrying amount		
End of financial year	**7**	–

Notes to the Financial Statements

For the financial year ended 31 December 2011

20. LAND USE RIGHTS

	Group 2011 $'000	Group Restated 2010 $'000
Cost		
Beginning of financial year	**1,778**	1,872
Currency translation differences	**85**	(94)
End of financial year	**1,863**	1,778
Accumulated amortisation		
Beginning of financial year	**209**	95
Amortisation charge (Note 7)	**65**	122
Currency translation differences	**12**	(8)
End of financial year	**286**	209
Net carrying amount		
End of financial year	**1,577**	1,569
Amount to be amortised:		
– Not later than one year	**68**	65
– Between two and five years	**271**	259
– Later than five years	**1,238**	1,245
	1,577	1,569

Land use rights include an amount of $1,292,000 (2010: $1,291,000) which have been pledged to bank as collateral for banking facilities granted to the subsidiary (Note 23).

The details of the land use rights as at 31 December 2011 are as follows:

Location	Description and tenure	Gross land area (sqm)	Gross built-in area (sqm)	Use of property
Songkai No.III-32, Songjiang Development Zone, Shanghai, The People's Republic of China	50 years land use rights with effect from 30 April 2002	6,960	3,391	Office, factory and warehouse
North of Qianyuan Water Intake, Qianyuan Town, Deqing City, Zhejiang Province, The People's Republic of China	50 years land use rights with effect from 29 February 2008	40,159	8,755	Water treatment plant

Notes to the Financial Statements

For the financial year ended 31 December 2011

21. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Group	
		Restated
	2011	2010
	$'000	$'000
Financial receivables from service concession arrangements (Note 13)	**56,844**	47,291

The Company's subsidiaries, Deqing Huanzhong Producing Water Co., Ltd. ("Deqing Huanzhong") and Deqing Darco Producing Water Co., Ltd. ("Deqing Darco") obtained service concession arrangements in The People's Republic of China to construct and operate water treatment plants. Under the service concession arrangements, Deqing Huanzhong and Deqing Darco constructed and operated the water treatment plants for the concession periods of 22 years and 25 years, respectively. Such arrangements fall within the scope of Interpretations of FRS 112 Service Concession Arrangements.

The Group recognised the considerations received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset during the concession period. Such financial assets are measured at their fair values upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised costs.

The key assumptions used for computation of the fair values of considerations received and receivable are as follows:

	Deqing Huanzhong		Deqing Darco	
	2011	2010	**2011**	2010
Construction services	**Forecast cost+ 7.5%**	Forecast cost+ 7.5%	**Forecast cost+ 15.0%**	Forecast cost+ 15.0%
Operation services	**Forecast cost+ 102.6%**	Forecast cost+ 102.6%	**Forecast cost+ 35.6%**	Forecast cost+ 37.8%
Effective interest rate	**6.00% per annum**	6.00% per annum	**6.00% per annum**	6.00% per annum

Deqing Huanzhong completed the construction of the water treatment plant in 2006 and is in the operating phase of the service concession arrangement.

Deqing Darco completed the construction of the water treatment plant in current financial year and is in the operating phase of the service concession arrangement.

Notes to the Financial Statements

For the financial year ended 31 December 2011

21. TRADE AND OTHER RECEIVABLES – NON-CURRENT (CONTINUED)

The amounts of revenue and profit after income tax included in the consolidated statement of comprehensive income of the Group in respect of the service concession arrangements are as follows:

	Deqing Huanzhong		Deqing Darco	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Revenue	**2,562**	2,653	**5,905**	16,858
Profit after income tax	**1,564**	1,764	**1,583**	2,309

The amounts of total assets and total liabilities included in the consolidated statement of financial position of the Group in respect of the service concession arrangements are as follows:

	Deqing Huanzhong		Deqing Darco	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Total assets	**15,677**	16,128	**44,116**	35,005
Total liabilities	**1,135**	1,529	**17,322**	14,066

22. DEFERRED INCOME TAX

The movements in the deferred income tax are as follows:

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(3,040)**	(2,599)	**–**	(241)
Tax (charged)/credited to profit or loss	**(537)**	(558)	**–**	241
Currency translation differences	**(143)**	117	**–**	–
End of financial year	**(3,720)**	(3,040)	**–**	–
Presented on statements of financial position as:				
Deferred income tax assets	**23**	25	**–**	–
Deferred income tax liabilities	**(3,743)**	(3,065)	**–**	–
	(3,720)	(3,040)	**–**	–

Notes to the Financial Statements

For the financial year ended 31 December 2011

22. DEFERRED INCOME TAX (CONTINUED)

The deferred income tax assets on temporary differences recognised in the financial statements are in respect of tax effects arising from:

	Group	
		Restated
	2011	2010
	$'000	$'000
Unrealised foreign exchange	**(7)**	13
Others	**30**	12
	23	25

At the reporting date, the Group and the Company have potential tax benefits arising from unabsorbed tax losses of approximately $8,704,000 (2010: $4,828,000) and $1,443,000 (2010: $Nil) respectively, and unabsorbed capital allowances of approximately $101,000 (2010: $73,000) and $Nil (2010: $Nil) respectively, that are available for carry-forward to offset against future taxable income of the companies in which the tax losses and capital allowances arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The potential deferred tax assets arising from the unabsorbed tax losses and unabsorbed capital allowances have not been recognised in the financial statements as it is not probable that the future taxable income in these companies will be sufficient to allow the unabsorbed tax losses and unabsorbed capital allowances to be realised in the foreseeable future.

The deferred income tax liabilities on temporary differences recognised in the financial statements are in respect of tax effects arising from:

	Group	
		Restated
	2011	2010
	$'000	$'000
Excess of carrying amount over tax written down value of property, plant and equipment	**88**	30
Financial receivables from service concession arrangements	**3,150**	2,538
Allowance for doubtful receivables	**–**	51
Withholding taxes arising from PRC subsidiaries' undistributed profits	**505**	434
Others	**–**	12
	3,743	3,065

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current				
Revolving loan and term loan facilities (a)	**25,700**	30,118	**25,700**	30,118
Bank overdrafts (b)	**2,511**	1,432	**283**	267
Banker's acceptance (c)	**45**	–	**–**	–
Finance lease liabilities (d)	**95**	316	**–**	–
Term loan I (e)	**–**	778	**–**	–
Term loan II (f)	**2,727**	3,874	**2,727**	3,874
Term loan III (g)	**–**	520	**–**	–
Term loan IV (h)	**12,047**	11,561	**–**	–
Term loan V (i)	**3,537**	3,600	**–**	–
Term loan VI (j)	**171**	–	**–**	–
Term loan VII (k)	**38**	–	**–**	–
Personal loan I (l)	**129**	–	**–**	–
Personal loan II (m)	**86**	–	**–**	–
Personal loan III (n)	**216**	–	**–**	–
Convertible notes (o)	**189**	–	**189**	–
	47,491	52,199	**28,899**	34,259
Non-current				
Finance lease liabilities (d)	**11**	23	**–**	–
Term loan VII (k)	**465**	–	**–**	–
Convertible notes (o)	**–**	189	**–**	189
	476	212	**–**	189
Total borrowings	**47,967**	52,411	**28,899**	34,448

(a) Revolving loan and term loan facilities bear interests at floating rates ranging from 2.55% to 3.61% (2010: 3.00% to 6.00%) per annum and are secured by corporate guarantees from certain subsidiaries and compliance with certain financial covenants. The amounts were partially drawndown from the total revolving loan and term loan facilities of US$24 million and $5 million.

(b) The bank overdrafts are secured by corporate guarantee from the Company and bear interests ranging from 1.25% to 1.75% (2010: 1.25% to 1.75%) above the bank's base lending rate per annum and fixed rate of 5.50% per annum.

(c) The banker's acceptance is secured by corporate guarantee from the Company and bears interest at 3.87% per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(d) Finance lease liabilities

The Group leases certain motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group	
		Restated
	2011	2010
	$'000	$'000
Minimum lease payments due:		
– Not later than one year	**102**	335
– Between two and five years	**11**	24
	113	359
Less: Future finance charges	**(7)**	(20)
Present value of finance lease liabilities	**106**	339

The present values of finance lease liabilities are analysed as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Not later than one year	**95**	316
Between two and five years	**11**	23
Present value of finance lease liabilities	**106**	339

Finance lease liabilities of the Group are effectively secured over the leased motor vehicles (Note 18) as the legal titles are retained by the lessors and will be transferred to the Group upon full settlement of the finance lease liabilities.

The finance lease liabilities bear interests ranging from 5.19% to 7.54% (2010: 5.19% to 5.50%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(e) The term loan I bore interests ranging from 13.75% to 16.50% per annum.

The term loan I was secured by:

(i) ordinary shares in the subsidiary held by certain directors' of the subsidiary;

(ii) personnel guarantee from a director of the subsidiary;

(iii) corporate guarantee from the Company;

(iv) fixed deposits of the subsidiary; and

(v) receivables and purchase material goods and/or machineries related to the water treatment project being financed.

(f) The term loan II bears interests at floating rate ranging from 5.18% to 5.83% (2010: 5.06% to 5.55%) per annum and is secured by corporate guarantees from certain subsidiaries and compliance with certain financial covenants.

(g) The term loan III bore interests at floating rate ranging from 2.89% to 2.93% per annum. The loan was secured by the corporate guarantee from the Company and pledging of certain fixed deposits of the subsidiary (Note 12).

(h) The term loan IV represents a 5 year term loan obtained from a bank for the financing of the subsidiary's project. It bears interest at 110% of the PBOC Base Rate per annum of 5.76% for a tenor of 3 to 5 years, or at an interest rate to be determined by the bank from time to time as permitted by the applicable laws. The loan is repayable in 9 instalments every quarter with the first instalment due on 29 August 2011. The amount repayable for the first 6 instalments shall be 5% of the principal amount, the next 2 instalments shall be 8% of the principal amount and the last instalment shall be 54% of the principal amount.

It is secured by:–

(1) a stand-by letter of credit of not less than 110% of the facility amount in favour of the bank;

(2) a first legal mortgage over the subsidiary's land use right;

(3) an assignment of a political risk insurance coverage of US$10,683,000 on the subsidiary's capital; and

(4) an assignment over its accounts receivables upon commencement of operations.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(i) The term loan V represents a loan obtained from a third party for the 20% investment in Forest Environmental Engineering Co., Ltd. ("Forest Environmental") which is classified as a disposal group held-for-sales on the statement of financial position (Note 10). This loan will be settled by transferring the 20% investment in Forest Environmental to the third party. The loan is interest-free and secured by the 20% investment in Forest Environmental.

(j) The term loan VI is secured by personal guarantee from minority shareholders of a subsidiary and pledging of certain fixed deposits of the subsidiary (Note 12). The term loan bears interest at 2.41% per annum and due for payment on 10 February 2012.

(k) The term loan VII is secured by the subsidiary's leasehold properties with carrying amount of $670,000 (Note 18) and corporate guarantee from the Company. The term loan bears interest at 2.00% above the bank's base lending rate per annum.

(l) The personal loan I represents a loan from a subsidiary's staff. The personal loan is unsecured, bears interest at 2.00% per annum and payable on demand.

(m) The personal loan II represents a loan from a minority shareholder of a subsidiary. The personal loan is unsecured, interest-free and due for payment on 16 February 2012.

(n) The personal loan III represents a loan from a third party. The personal loan is unsecured, interest-free, bears interest at 2.40% per month and due for payment on 20 December 2012.

(o) Convertible notes

In 2007, the Company issued non-interest bearing convertible notes to Pacific Capital Investment Management Limited ("PCIM") to fund the Group's build-own-transfer municipal potable water project in The People's Republic of China and for the Group's working capital. In accordance with the agreement signed between the Company and PCIM, these notes are to be exercised and converted at the option of PCIM into ordinary shares at 90% of the average of the closing trading price of the Company's ordinary share on the Singapore Stock Exchange for five market days immediately preceding the date of conversion.

The fair value of the liability component included in borrowings is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component is included in shareholders' equity in other reserves.

At 31 December 2011, the remaining convertible notes will be repayable to PCIM in 2012 and its conversion options had lapsed as PCIM has exercised the conversion rights up to 50% of the Company's issued share capital as agreed and no further conversion is allowed. Therefore, the carrying amount of equity conversion component has been transferred to retained earnings.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(o) Convertible notes (Continued)

The details of the convertible notes are as follows:

	Group and Company	
		Restated
	2011	2010
	$'000	$'000
Beginning of financial year	**189**	178
Interest expense charged to profit or loss (Note 6)	**–**	11
End of financial year	**189**	189

The carrying amount of the liability component of the convertible bonds at the reporting date is derived as follows:

	Group and Company	
		Restated
	2011	2010
	$'000	$'000
Face value of convertible bonds	**200**	200
Equity conversion component	**(42)**	(42)
Liability component on initial recognition	**158**	158
Accumulated interest expense	**31**	31
Liability component at the reporting date	**189**	189

The details of the accumulated interest expense charged to date are as follows:

	Group and Company	
		Restated
	2011	2010
	$'000	$'000
Beginning of financial year	**31**	20
Interest expense charged to profit or loss (Note 6)	**–**	11
End of financial year	**31**	31

(A) Fair value of the non-current borrowings

The fair value of the non-current borrowings approximates their carrying value.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(B) Breached of loan covenants

(i) Term loan II, revolving loan and term loan facilities, and bank overdraft

Term loan II and revolving loan and term loan facilities

The Company's loan agreements for term loan II and revolving loan and term loan facilities are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company breached the following covenants as required in the agreements for a credit line of US$27 million and $5 million (2010: US$27 million and $5 million), of which the Company has currently drawndown amounts totalled $28,427,000 (2010: $33,992,000):

(i) to maintain gearing ratio (i.e. consolidated total debts over consolidated tangible networth) at not exceeding 1.7 times;

(ii) to maintain minimum consolidated tangible networth of $37.5 million; and

(iii) to maintain debt service cover at not exceeding 1.3 times.

Bank overdraft

The Company's bank overdraft is also subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company breached the following covenants as required in the agreement, of which the Company has currently drawdown amount of $283,000 (2010: $267,000):

(i) to maintain minimum consolidated tangible networth of $41.0 million; and

(ii) to maintain gearing ratio (i.e. consolidated total debts over consolidated tangible networth) at not exceeding 1.7 times.

Due to these breached of the covenants clause, the banks are contractually entitled to request for immediate repayment of the outstanding loans. The outstanding loans are presented as current liabilities as at 31 December 2011.

The banks had not requested early repayment of the outstanding loans as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating the terms of the loan agreements with the banks.

(ii) Term loan IV

The Group's term loan IV for the financing of a subsidiary's BOT project is subject to covenant clauses. The subsidiary did not fulfil a requirement to complete the construction of its water treatment plant by 15 December 2010 and commencement of water treatment operations by 31 December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2011

23. BORROWINGS (CONTINUED)

(B) Breached of loan covenants (Continued)

(ii) Term loan IV (Continued)

Due to this breach of covenant clause, the bank can contractually stop the financing and is entitled to request for immediate repayment of the outstanding loan amount of $12,047,000 (2010: $11,561,000). The outstanding loan is presented as current liabilities as at 31 December 2011.

However, the bank continued to disburse funds subsequent to 31 December 2010 and had not requested for early repayment of the loan. On 31 March 2011, the bank has agreed to extend the completion date of the construction of its water treatment plant to 15 May 2011 and commencement of water treatment operations by 31 May 2011. On 15 March 2012, the bank has agreed to waive the covenant clause with regards to the completion date of the construction of its water treatment plant and commencement of water treatment operations.

24. TRADE AND OTHER PAYABLES

	Group		**Company**	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current				
Trade payables to:				
– Non-related parties	**10,683**	11,963	**–**	44
Construction contracts				
– Due to customers (Note 15)	**5,668**	3,782	**–**	200
Other payables and accruals for operating expenses to:				
– Subsidiaries	**–**	–	**4,484**	4,126
– Related party	**3,850**	370	**2,015**	370
– Non-related parties	**9,868**	5,311	**4,715**	1,162
	13,718	5,681	**11,214**	5,658
	30,069	21,426	**11,214**	5,902
Non-current				
Amounts due to directors of a subsidiary	**1,562**	1,045	**–**	–

Amounts due to subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

Amounts due to a related party is non-trade in nature, unsecured, interest-bearing at rates ranging from 3.50% to 6.00% (2010: 3.50% to 6.00%) per annum and repayable on demand.

Amounts due to directors of a subsidiary are non-trade in nature, unsecured, interest free and not payable within twelve months from the reporting date.

Notes to the Financial Statements

For the financial year ended 31 December 2011

25. SHARE CAPITAL

Group and Company	Number of ordinary shares	Issued share capital $'000
2011 and 2010		
Beginning and end of financial year	276,684,812	36,985

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The newly issued shares rank pari passu in all respects with the previously issued shares. The holder of the ordinary shares is entitled to receive dividends as and when declared by the Company.

26. OTHER RESERVES

(a) Composition

	Group	
	2011 **$'000**	Restated 2010 $'000
Currency translation reserve (b)(i)	**(364)**	(1,890)
Legal reserves (b)(ii)	**1,494**	1,229
	1,130	(661)

(b) Movements:

(i) Currency translation reserve

	Group	
	2011 **$'000**	Restated 2010 $'000
Beginning of financial year	**(1,890)**	(913)
Net currency translation differences of financial statements of foreign subsidiaries and a joint venture	**1,564**	(983)
Less: Non-controlling interests	**(38)**	6
	1,526	(977)
End of financial year	**(364)**	(1,890)

Currency translation reserve arises from the translation of foreign subsidiaries and a joint venture's financial statements whose functional currencies are different from the presentation currency of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2011

26. OTHER RESERVES (CONTINUED)

(b) Movements (Continued):

(ii) In accordance with the relevant laws and regulations of The People's Republic of China ("PRC"), the subsidiaries of the Company established in the PRC is required to transfer 10% of its profit after income tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

27. CONTINGENCIES

(a) Contingent liabilities

Contingent liabilities, excluding those relating to the investment in a joint venture (Note 17), of which the probability of settlement is not remote at the reporting date, are as follows:

Group

(i) Several sub-contractors are making claims against DET for additional compensations totalling approximately NTD$90.49 million. These cases are currently ongoing.

(ii) DET set up a subsidiary, Darco Puding Wastewater Management Co., Ltd. ("Darco Puding") to enter into a build-operate-transfer ("BOT") contract with Taoyuan County Government ("TCG") on 16 March 2010. Under the BOT contract, Darco Puding was granted a 35 years concessionary period to construct and operate the water treatment plant. The construction of the water treatment plant was to be completed in 4 years period from 16 March 2010.

In 2010, the Group found hazardous material in the ground during the construction phase and has informed TCG of this finding. The construction of the water treatment plant has been put on hold since then.

In 2011, Darco Puding was penalised by TCG for non-compliance with the schedule and other obligations as stated in the BOT contract. Total penalty levied and accrued as at 31 December 2011 amounted to $0.43 million (NTD$9.87 million). Total potential additional penalty liabilities from 1 January 2012 till 31 May 2012 amounted to $0.41 million (NTD$9.52 million), which is not accrued in the financial statements.

The construction costs incurred for BOT contract for the financial year ended 31 December 2011 amounted to $0.19 million (NTD$4.33 million) (2010: $0.81 million (NTD$18.48 million)) were written off in view of uncertainty of its recoverability.

Management represented that the Group is still in the midst of discussion with TCG to solve the problem and also ask for waiver of the penalty levied as of the date of this report.

Notes to the Financial Statements

For the financial year ended 31 December 2011

27. CONTINGENCIES (CONTINUED)

(a) Contingent liabilities (Continued)

Group (Continued)

(iii) Fan Ming Chun claims, inter alia, an order requiring Darco Environmental Pte Ltd ("DNV") to buy 10,000 shares (equivalent to 9% equity interest) of Globe Industrial Technology Co., Ltd. ("Globe"), in which DNV is a 91% shareholder, held by Fan Ming Chun; or alternatively, an order requiring all the shares of Globe held by DNV to be sold to Fan Ming Chun, at a price to be agreed or failing agreement to be determined by an independent valuer to be appointed by the Hong Kong court; and costs incurred by Fan Ming Chun to be borne by DNV. The case is currently ongoing.

(iv) Guarantees

	Group		**Company**	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Corporate guarantees provided to banks and financial institutions for credit facilities granted to:				
– Subsidiaries	**–**	–	**20,843**	23,791
– Joint venture	**1,516**	1,548	**–**	–
Mortgaged of freehold land to a third party for credit facilities granted to a subsidiary's supplier	**414**	421	**–**	–

The Company has also given undertakings to continue providing financial support to certain subsidiaries as and when required to allow them to meet their obligations.

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial years ended 31 December 2011 and 31 December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2011

27. CONTINGENCIES (CONTINUED)

(b) Contingent assets

Group

(i) In March 2010, the Company reported to the Singapore Stock Exchange that the Group was concerned with the manner in which DET accounts had been managed. On 20 May 2010, KPMG Singapore was appointed to conduct an investigation of the affairs of DET. Based on investigation report issued by KPMG Singapore on 27 May 2011, the total amount of possibly misappropriated monies amounted approximately to $7.18 million (NTD$163.41 million).

The Group filed police reports in Taiwan against its former employees and third parties facilitators or conspirators, claiming a total misappropriated amounts of $9.80 million (NTD$223.06 million) as of the date of this report.

The misappropriated amounts were recorded either as alleged administration expenses or project costs and recognised in the consolidated statement of comprehensive income for the financial years ended 31 December 2009 and before.

As of the date of this report, the case is still under police investigation and a refundable deposits of $0.65 million (NTD$15.11 million) has been paid to Taiwan court as guarantee for withhold defendants' assets. The Group expects formal charges to be filed against the above persons by end of 2012.

(ii) As disclosed in Note 10, the Group filed a claim on 12 February 2010 to recover the franchise and concession fees paid, as well as compensation for the cost of investment and expected profit totalled approximately $5.62 million (NTD$128 million).

(iii) In FY2009, DET filed a claim of NTD$8.16 million against RPTI International Ltd for certain repair and maintenance expenses. The court has awarded DET for a lesser amount of NTD$6.48 million. Both parties filed an appeal. The case is therefore outstanding.

(c) The Group provide guarantees totalled approximately $7,185,000 (2010: $6,331,000) to customers for performance of the contracts during the contract and warranty periods.

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Approved and contracted for purchase of property, plant and equipment	**–**	1,992	**–**	–
Approved but not yet contracted for investment in unquoted equity instruments	**3,246**	3,107	**3,246**	3,107
Construction costs for the water treatment plants	**–**	14,200	**–**	–

As disclosed in Note 13, the Group is committed to acquire 10% interest in PT Air Bintan Biru for a consideration of $3,895,000 or US$3,000,000 (2010: $3,874,000 or US$3,000,000). As at 31 December 2011, a refundable deposit of $649,000 or US$500,000 (2010: $767,000 or US$500,000) had been paid with the remaining of $3,246,000 or US$2,500,000 (2010: $3,107,000 or US$2,500,000) payable upon fulfilment of certain conditions set out in the sale and purchase agreement. The Group has decided not to pursue the project any longer and consider this business case as closed.

(b) Operating lease commitments – where the Group is a lessee

The Company leases water pipe, leasehold land, staff hostels, offices, factories and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
		Restated
	2011	2010
	$'000	$'000
Not later than one year	**630**	496
Between two and five years	**1,338**	1,359
Later than five years	**1,391**	1,391
	3,359	3,246

Operating lease payments represent mainly rentals payable by the Group for its leasehold land. The lease from the Jurong Town Corporation is for 30 years from 1 April 2002. The lease rental terms are negotiated for an average term of three 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.

Notes to the Financial Statements

For the financial year ended 31 December 2011

28. COMMITMENTS (CONTINUED)

(c) Other commitments

The subsidiary, Deqing Huanzhong Producing Water Co., Ltd.'s articles of association provide that the subsidiary must pay the grantor of the service concession arrangement a fixed distribution regardless of whether the subsidiary is profitable or loss making. The amounts payable are RMB1,000,000 (approximately to $200,000) in the first to the fifth year of operations, RMB600,000 (approximately to $120,000) in the sixth to the tenth year of operations, and RMB400,000 (approximately to $80,000) in the eleventh to the twenty-second year of operations, and are subject to the approval by the board of directors of the subsidiary.

In addition, the subsidiary will distribute part of its profit as a return on the Group's investment through returns of capital upon approval by the local authorities.

29. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties at terms agreed between the parties:

(a) Significant related party transactions:

	Group		**Company**	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Sales to joint venture	**1,303**	11	**–**	–
Purchases from joint venture	**1,390**	778	**–**	–
Loan to joint venture	**206**	21	**–**	–
Rental expense paid to a person who is related to an Executive Officer of the Company	**–**	1	**–**	–
Professional fees paid to a director-related corporation	**23**	–	**23**	–
Interest paid to a director-related company	**66**	–	**41**	–
Loan from a director-related company	**3,265**	–	**1,645**	–
Loan from minority shareholder of a subsidiary	**86**	–	**–**	–

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Notes to the Financial Statements

For the financial year ended 31 December 2011

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation:

Key management personnel compensation is as follows:

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Wages and salaries	**447**	486	**–**	–
Employer's contribution to defined contribution plans, including Central Provident Fund	**36**	39	**–**	–
Directors' fees	**204**	187	**147**	128
Other benefits	**3**	22	**–**	–
	690	734	**147**	128

Included in the above was total compensation to directors of the Company amounting to $475,000 (2010: $486,000).

30. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 1.7 times (2010: 1.7 times). The Group's and the Company's strategies, which were unchanged from 2010, are to maintain gearing ratios below 1.7 times and below 1.7 times respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2011

30. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

The gearing ratio is calculated as total debts (borrowings) divided by total tangible networth. Total tangible networth is calculated as total equity less non-controlling interests less intangible assets.

	Group		Company	
		Restated		Restated
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Total debts	**47,967**	52,411	**28,899**	34,448
Total tangible networth	**25,472**	23,149	**(5,877)**	(2,138)
Gearing ratio	**1.9 times**	2.3 times	**(4.9 times)**	(16.1 times)

Except as disclosed in Note 23, the Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2011 and 31 December 2010.

31. EVENTS AFTER THE REPORTING DATE

(i) On 1 February 2012, the Company completed the acquisition of Darco Engineering (Taiwan) Co., Ltd. ("DET") (indirect subsidiary) from Darco Engineering Pte. Ltd. (direct wholly-owned subsidiary) for a cash consideration of NTD$477 million. DET is in net liabilities as at 31 December 2011.

(ii) On 9 April 2012, Darco Engineering Pte. Ltd. completed the sale of the leasehold property located at 41 Loyang Drive, Singapore 508952 with carrying amount of $1,088,000 for a cash consideration of $3,400,000 to Conco Aero Maintenance Pte Ltd.

(iii) On 16 March 2012, the Company's wholly-owned subsidiary, Darco Environmental Pte. Ltd. ("DNV") allots 20,600,000 new ordinary shares to the Company by way of capitalisation of an amount of $20,624,000 due from DNV to the Company.

(iv) On 16 May 2012, DNV assumes the liabilities amounting to $4,968,460 due from its subsidiary company, Globe Industrial Technology Co., Ltd. ("Globe") to the Company in consideration for the allotment of 115,233 ordinary shares in Globe to DNV.

The amount due from DNV to the Company of $4,968,460 is settled by the allotment of additional 4,968,459 new ordinary shares in DNV to the Company.

(v) On 9 May 2012, the Group acquired remaining 49% equity interest in a joint venture, Darco-Envidan Sdn. Bhd. ("Darco-Envidan"), incorporated in Malaysia for a total cash consideration of $60,000 (RM147,000). The principal activity of the joint venture is designing, fabricating and constructing pure and waste water treatment plants and trading in related industrial products.

(vi) On 21 May 2012, the Company entered into a conditional sale and purchase agreement with Salcon Berhad for the disposal of 60% interest in Darco Environmental Pte. Ltd. ("Proposed Disposal"). The Proposed Disposal is completed after obtained approval from the shareholders at an extraordinary general meeting held on 17 July 2012.

Notes to the Financial Statements

For the financial year ended 31 December 2011

32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 101 – Secure Hyperinflation and Removal of Fixed Prices of First-time Adopters (effective from annual periods beginning on or after 1 July 2011)
- Amendments to FRS 107 Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)

The management anticipates that the adoption of the above FRS, INT FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR

The predecessor auditor had in its audit report dated 31 May 2011 expressed a disclaimer of opinion on the statutory financial statements for the financial years ended 31 December 2009 and 31 December 2010. The extract of the basis for disclaimer of opinion is as follows:

"(a) The auditors of several of the Company's subsidiaries expressed Disclaimer of Opinions on the financial statements of several of the Company's subsidiaries. The relevant extracts from the Basis for Disclaimer Opinion paragraphs in respect of the subsidiaries are as follows:

Subsidiary – Darco Engineering Pte. Ltd.

(i) Property, plant and equipment

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation of certain property, plant and equipment amounting to $1,311,240 (2009:$1,415,505). Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of property, plant and equipment and the elements making up the financial statements.

(ii) Litigation

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, validity and disclosure of litigation matters in the Company. Therefore, we were unable to determine whether any adjustments to, or disclosures in the financial statements, may be required in accordance with Singapore Financial Reporting Standards.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

"(a) (Continued)

Subsidiary – Darco Engineering Pte. Ltd. (Continued)

(iii) Trade and other payables

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, existence and valuation in respect of amount due to a related party of the Company amounting to $20,000 as at 31 December 2010. Consequently, we were unable to determine whether any adjustments to this amount might have been found necessary in respect of recorded or unrecorded trade and other payables and the elements making up the financial statements.

Subsidiary – Globe Industrial Technology Co., Ltd.

(i) Trade and other payables

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, existence and valuation in respect of an amount due to a shareholder of the Group and of the Company as at 31 December 2010 and 31 December 2009. Consequently, we were unable to determine whether any adjustments to these amounts might have been found necessary in respect of recorded or unrecorded trade and other payables and the elements making up the financial statements.

(ii) Contingent and other liabilities

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves on the completeness of the disclosures relating to banking facilities, liabilities due to a bank and assets pledged with a bank. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(b) The component auditor expressed a qualified opinion on the financial statements of the Company's subsidiary on the following basis:

Subsidiary – Deqing Darco Producing Water Co., Ltd.

(i) Breach of loan covenant

The subsidiary's term loan for the financing of its project is subject to covenant clauses. The subsidiary did not fulfill a requirement to complete the construction of a water treatment plant and to commence water treatment operations by 31 December 2010.

Due to this breach of covenant clause, the bank can contractually stop the financing and is entitled to request for immediate repayment of the outstanding loan amount of RMB59,229,353 ($11,845,870) as at 31 December 2010 as reflected in the statement of financial position of the subsidiary.

However, the bank continued to disburse funds subsequent to the end of the financial year ended 31 December 2010 and had not requested for early repayment of the loan as at 28 February 2011. The management is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place in the second quarter of 2011. No adjustments have been made to reclassify the non-current portion of the loan as current liability.

(c) Property, plant and equipment

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation of the property, plant and equipment of the following subsidiaries:–

(i) P.T. Darco Indonesia $21,000 (2009: $42,000)
(ii) Darco Engineering (Taiwan) Co., Ltd. $6,922,000 (2009: $4,162,000)
(iii) Darco Remediation Technologies Inc. $439,000
(iv) WLF Industrial Co., Ltd. $366,000
(v) Darco Puding Wastewater Management Co., Ltd. $1,527,000

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of property, plant and equipment and the elements making up the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(d) Related Party Transactions

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the occurrence, accuracy, completeness and classification of the disclosures of related party transactions of the Group for the financial years ended 31 December 2010 and 2009. Therefore, we were unable to determine whether any adjustments to, or disclosures in the financial statements, may be required in accordance with Singapore Financial Reporting Standards.

(e) Subsequent events

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether events occurring from the end of financial years to the date of the auditor's report, that might require adjustments to, or disclosures in the financial statements, are appropriately reflected in those financial statements in accordance with Singapore Financial Reporting Standards.

(f) P.T. Darco Indonesia

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence, occurrence, accuracy, completeness, classification, measurement, and valuation of total assets of $4,667,000; total liabilities of $3,667,000; and the elements of the income statement of a subsidiary, P.T. Darco Indonesia. We were also not able to perform any other satisfactory alternative procedures. Consequently, we are unable to determine whether any adjustments might have been found necessary in respect of the elements making up the financial statements relating to P.T. Darco Indonesia.

(g) Investigation

In March 2010, an investigation was triggered by management after a wholly-owned subsidiary in Taiwan, Darco Engineering (Taiwan) Co., Ltd. recorded two consecutive years of losses and when management discovered that the subsidiary had been connected with several extraordinary and large administrative cash advances, provided unsatisfactory explanation for general expenses, and there were unsubstantiated project costs and doubtful treatment of these items in the subsidiary's accounting records. The management is of the view that it was unusual for a company with an established track record to have massive cost overruns and suspects that some fraudulent activities might have taken place.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(g) Investigation (Continued)

The Company has since then appointed a firm of independent accountants to undertake a special investigation into the irregular transactions. The investigation by the independent accountants were completed and the report issued on 27 May 2011. However, the adjustments have been made in these financial statements based on the investigations completed by the management, and not based on the investigation of the independent accountants. The adjustments based on the investigation by the management are different from the investigation by the independent accountants.

As at the date of this report, we were not provided access to the working papers of the independent accountants. We were also not able to perform any other satisfactory alternative procedures. Therefore, we were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the accuracy and completeness of the outcome of the investigations on these financial statements.

Consequently, we are unable to determine whether any further adjustments might have been found necessary in respect of the elements making up the financial statements.

(h) Breach of loan covenants

The Company had breached the covenants clauses relating to bank borrowings amounting to $33,993,000 (2009: $36,031,000) during the financial years ended 31 December 2010 and 31 December 2009.

Due to this breach of the covenants clauses, the bank may contractually stop the financing and is entitled to request for immediate repayment of the outstanding loan. No adjustments have been made to reclassify the non-current portion of the loans as current liability. Under Singapore Financial Reporting Standards, these borrowings should have been reclassified as current liability as the Group and the Company have breached the covenants clauses of these borrowings as at 31 December 2010 and 31 December 2009.

(i) Intangible assets – Goodwill arising on consolidation

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation of goodwill for impairment amounting to $1,231,000 (2009: $1,231,000). Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of intangible assets and the elements making up the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(j) Business combination

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and completeness of the fair values of the identifiable assets acquired and liabilities assumed in the business combination which occurred during the financial year ended 31 December 2010, and that the business combination is accounted for correctly and in compliance with Singapore Financial Reporting Standard 103 – Business Combinations. Consequently, we have not been able to satisfy ourselves as to the accuracy of the computation for the goodwill on acquisition for the business combination during the financial year ended 31 December 2010.

Furthermore, the disclosure of the business combination is not compliant with Singapore Financial Reporting Standard 103 as the information that enables users of its financial statements to evaluate the nature and financial effect of a business combination was not disclosed.

(k) Discontinued Operations

During the financial year ended 31 December 2009, a subsidiary, Northern Union Assortment Recycling Co., Ltd. had discontinued its operations as several months into its operation, the Group discovered that it was operating at a big loss due to very low levels of recyclable material.

However, no disclosures were made for the discontinued operations in accordance with Singapore Financial Reporting Standard 105 – Non-current Assets Held for Sale and Discontinued Operations as the entire assets and liabilities related to Northern Union Assortment Recycling Co., Ltd. are not classified as a disposal group held for sale on the statement of financial position, and the entire results from Northern Union Assortment Recycling Co., Ltd. are not presented separately on the statement of comprehensive income as “Discontinued operations”.

(l) Litigations

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness, validity and disclosure of litigation matters in the Company. Therefore, we were unable to determine whether any adjustments to, or disclosures in the financial statements, may be required in accordance with Singapore Financial Reporting Standards.

(m) Trade and other receivables

Included in trade and other receivables of the Company is a non-trade amount due from a subsidiary amounting to $14,132,000 (2009: $14,663,000) which is past due for more than 1 year. We were not able to obtain sufficient appropriate evidence to ascertain the recoverability of the amount. Therefore, we were unable to determine whether any adjustments might have been found necessary in respect of other receivables and the elements making up the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(n) Borrowings

Included in the borrowings of the Company of $34,449,000 as at 31 December 2010, is an amount of approximately $8,373,000 in which we were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to the valuation assertion. Consequently, we were unable to determine whether any adjustments to these amounts might have been found necessary in respect of recorded or unrecorded borrowings and the elements making up the financial statements.

(o) Contingent and other liabilities

We were unable to perform satisfactory procedures to obtain sufficient appropriate audit evidence to satisfy ourselves on the completeness, if any, of the disclosures relating to banking facilities, liabilities due to banks and assets pledged with banks. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the financial statements.

(p) Going concern

As at 31 December 2010, the Group's current liabilities exceeded its current assets by $1,134,000. During the financial year ended 31 December 2010, the Group incurred negative operating cash flows of $3,969,000. During the financial year ended 31 December 2009, the Group incurred a net loss of $11,461,000.

As at 31 December 2010 and 31 December 2009, the Company is not in compliance with the financial covenants in the facility agreement with the lenders for the syndicated loan facilities, including borrowings of $33,993,000 and $36,031,000 respectively.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The financial statements have been prepared on the assumption that the Group will continue as a going concern. The validity of the going concern assumption on which the Group's and the Company's financial statements are prepared is dependent on the negotiation with the lenders of the syndicated loan facilities on possible alternatives, including restructuring of the syndicated loan facilities or obtaining a waiver on the non-compliance of financial covenants, of which the ultimate outcome of the matter cannot presently be determined.

Based on the information available to us, we are unable to carry out audit procedures that we believe are necessary to assess the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2011

33. BASIS FOR DISCLAIMER OF OPINION ON THE STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY THE PREDECESSOR AUDITOR (CONTINUED)

(p) Going concern (Continued)

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made in these financial statements."

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP

Baker Tilly TFW LLP had performed a re-audit on the Restated financial statements for the financial years ended 31 December 2009 and 31 December 2010 and its audit report dated 30 May 2012 expressed a disclaimer of opinion on those financial statements. The extract of the basis for disclaimer of opinion is as follows:

"**(a) Opening balances**

The financial statements of the Group and the Company for the financial year ended 31 December 2008 were audited by another independent auditor whose report dated 6 April 2009 expressed an unmodified opinion on those financial statements with an emphasis of matter expressing an uncertainty over the going concern of the Group and the Company.

We were denied access to the predecessor auditors' working papers for the financial year ended 31 December 2008. An administrative expense of $1.1 million was charged to the consolidated statement of comprehensive income for the financial year ended 31 December 2009 and a corresponding amount of $1.1 million was credited to the accumulated profits as at 1 January 2009. These entries were made by the Company so as to agree the opening accumulated profits as at 1 January 2009 to the closing balance as at 31 December 2008 of the audited financial statements for the financial year ended 31 December 2008. We were also unable to carry out alternative audit procedures to obtain sufficient and appropriate audit evidence to satisfy ourselves that the opening balances as at 1 January 2009 of the Group and the Company for the financial year ended 31 December 2009 were fairly stated. Since the opening balances as at 1 January 2009 enter into the determination of the financial results and cash flows for the financial year ended 31 December 2009, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2009.

Notes to the Financial Statements

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34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(b) Comparative information

The financial statements of the Group and the Company for the financial year ended 31 December 2008, being the comparative information for the financial year ended 31 December 2009 as required by FRS 1 Presentation of Financial Statements were not presented.

(c) Inventories

We were appointed as independent auditor of the Company in September 2011 and therefore did not observe the counting of physical inventories at end of the financial years ended 31 December 2009 and 31 December 2010. Consequently, we were unable to satisfy ourselves by alternative means concerning the quantities and values of inventories of the Group held at 31 December 2009 and 31 December 2010 which enter into the determination of the financial position as at 31 December 2009 and 31 December 2010, and results and cash flows for the respective financial years.

Accordingly, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and the corresponding balances in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(d) P.T. Darco Indonesia

The financial statements of the Company's subsidiary, P.T. Darco Indonesia ("PT Darco") for the financial years ended 31 December 2009 and 31 December 2010, were prepared and audited in accordance with the regulations prevailing in Indonesia. These financial statements were used to prepare the Group's financial statements.

Based on PT Darco's audited financial statements as at 31 December 2009 and 31 December 2010, total assets amounted to $5.97 million and $4.90 million, and total liabilities amounted to $3.08 million and $2.43 million, respectively. Its revenues amounted to $4.88 million and $0.10 million, and net profit/(loss) amounted to $0.03 million and ($0.71 million) for the financial years ended 31 December 2009 and 31 December 2010, respectively.

We were unable to obtain sufficient information and explanations to enable us form an opinion as to whether the financial statements of PT Darco prepared, were in accordance with Singapore Financial Reporting Standards and in form and content appropriate and proper for the purpose of preparation of the Group's financial statements.

Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2011

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(e) Fraud investigation

The Company reported to the Singapore Stock Exchange in March 2010 that the Group was concerned with the manner in which Darco Engineering (Taiwan) Co., Ltd.'s ("DET") accounts had been managed. On 20 May 2010, KPMG Singapore was appointed to conduct an investigation of the affairs of DET. Based on investigation report issued by KPMG Singapore on 27 May 2011, the total amount of possibly misappropriated monies amounted approximately to $7.18 million (NTD$163.41 million).

The Group filed police reports in Taiwan against its former employees and third parties facilitators or conspirators, claiming a total misappropriated amounts of $9.80 million (NTD$223.06 million) as of the date of this report.

The misappropriated amounts were recorded either as alleged administration expenses or project costs. Out of the total misappropriated amounts of $9.80 million, $0.91 million was recognised in the consolidated statement of comprehensive income for the financial year ended 31 December 2009, and the remaining amounts of $8.89 million were recognised in the consolidated statement of comprehensive income for the financial years ended 31 December 2008 and before.

Due to the ongoing legal proceeding and investigation, and misappropriated amounts reported by management in addition to that initially identified by KPMG Singapore, we were unable to obtain sufficient appropriate audit evidences to satisfy ourselves as to the accuracy, completeness and the appropriate classifications of such misappropriated amounts and related balances in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

Consequently, we were unable to determine whether these adjustments were appropriate and if any further adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(f) Service concession arrangements

The Company's subsidiaries, Deqing Huanzhong Producing Water Co., Ltd. ("Deqing Huanzhong") and Deqing Darco Producing Water Co., Ltd. ("Deqing Darco") obtained service concession arrangements in the People's Republic of China to construct and operate water treatment plants. Under the service concession arrangements, Deqing Huanzhong and Deqing Darco constructed and operated the water treatment plants for the concession periods of 22 years from 1 May 2006 and 25 years from 14 September 2011 respectively. Such arrangements fall within the scope of Interpretations to FRS 112 Service Concession Arrangements.

The key assumptions used for computation of the fair values of considerations received and receivable. The Group recognised the considerations received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset during the concession period. Such financial assets are measured at their fair values upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised costs.

Notes to the Financial Statements

For the financial year ended 31 December 2011

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(f) Service concession arrangements (Continued)

Deqing Huangzhong completed the construction of the water treatment plant in 2006 and was in the operating phase of the service concession arrangement. Deqing Huanzhong's total assets and total liabilities included in the consolidated statements of financial position of the Group as at 31 December 2009 and 31 December 2010 totalled $19.30 million and $16.13 million, and $1.61 million and $1.53 million, respectively. Deqing Huanzhong's revenues and net profit included in the consolidated statements of comprehensive income of the Group for the financial years ended 31 December 2009 and 31 December 2010 totalled $2.69 million and $2.65 million, and $1.79 million and $1.76 million, respectively.

Deqing Darco was in the construction phase of the service concession arrangement for the financial years ended 31 December 2009 and 31 December 2010. Deqing Darco's total assets and total liabilities included in the consolidated statements of financial position of the Group as at 31 December 2009 and 31 December 2010 totalled $19.17 million and $35.01 million, and $0.93 million and $14.07 million, respectively. Deqing Darco's revenues and net profit included in the consolidated statements of comprehensive income of the Group for the financial years ended 31 December 2009 and 31 December 2010 totalled $8.37 million and $16.86 million, and $1.09 million and $2.31 million, respectively. The construction costs used for the computation of construction revenue recognised in the consolidated statements of comprehensive income for the financial years ended 31 December 2009 and 31 December 2010, comprised inter-company transactions where the inter-company profits were not eliminated.

Based on available information and documents provided, we were unable to satisfy ourselves on the reasonableness of the key assumptions, construction costs and methods used in the determination of the revenue recognition, fair values of the financial assets on initial recognition, and the amortised costs and corresponding financial incomes during the concession periods. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(g) Property, plant and equipment

DET incurred losses of $16.63 million and $2.09 million respectively for the financial years ended 31 December 2009 and 31 December 2010, and its current liabilities exceeded current assets by $1.94 million and $6.92 million respectively as at 31 December 2009 and 31 December 2010. These factors constitute indicators of impairment of DET's property, plant and equipment. The Group recognised an impairment loss of $0.26 million and $2.20 million respectively for the financial years ended 31 December 2009 and 31 December 2010 in respect of certain specific property, plant and equipment in DET. However, a full assessment of the recoverable amounts of DET's remaining property, plant and equipment of $0.41 million and $0.45 million as at 31 December 2009 and 31 December 2010 respectively, was not carried out to ascertain if they ought to be impaired.

Notes to the Financial Statements

For the financial year ended 31 December 2011

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(g) Property, plant and equipment (Continued)

The recoverable amounts of the property, plant and equipment cannot be objectively assessed and as such, we were unable to determine whether any further adjustments might have found necessary in respect of the property, plant and equipment in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(h) Trade and other payables

At 31 December 2009 and 31 December 2010, certain of DET's trade and other payables amounting to $1.63 million and $1.37 million were included in the Group's trade and other payables. We were unable to obtain independent confirmations of these balances from the sub-contractors. In addition, DET has pending legal suits with one of these sub-contractors, claiming for additional compensations.

Due to the lack of independent supporting documentation and uncertainty over the outcomes of the litigations, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded trade and other payables and the corresponding balances in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(i) Currency translation difference

The Group recorded $983,000 and $84,000 of currency translation differences in the consolidated statements of comprehensive income and consolidated statements of changes in equity respectively for the financial years ended 31 December 2009 and 31 December 2010. Currency translation reserve as at 31 December 2009 and 31 December 2010 amounted to $1,890,000 and $913,000 respectively.

We were unable to ascertain the validity of these amounts due to unavailability of adequate information arising from periods before 1 January 2009. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(j) Litigations

The Group have several on-going litigations as at 31 December 2009 and 31 December 2010. However, management is unable to determine the probable outcomes of the litigations, given the current status of these litigations. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2011

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(k) Business Combinations

There were new acquisitions of subsidiaries and changes in ownership interests in existing subsidiaries during the financial year ended 31 December 2010. However, disclosure of the business combination that enables user of the financial statements to evaluate the nature and financial effect of a business combination as required by FRS 103 Business Combinations were not presented in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(l) Segment information

Segment information that enable users of the financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates as required by FRS 108 Operating Segments was not presented in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(m) Financial instruments: Disclosures

Information that enable users of the financial statements to evaluate the significance of financial instruments for the Group's and the Company's financial position and performance; and the nature and extent of risks arising from financial instruments to which the Group and the Company are exposed during the period and at the reporting date, and how the Group and the Company manage those risks as required by FRS 107 Financial Instruments: Disclosures was not presented in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(n) Impairment of assets

Information on the estimates used to measure the recoverable amount of the goodwill arising on consolidation, and the basis and method used to determine the recoverable amounts and events and circumstances that lead to the recognition of impairment loss of property, plant and equipment as required by FRS 36 Impairment of Assets was not presented in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

(o) Statement of cash flows

Statement of cash flows as required by FRS 1 Presentation of Financial Statements and FRS 7 Cash Flow Statements, was not presented in the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010.

Notes to the Financial Statements

For the financial year ended 31 December 2011

34. BASIS FOR DISCLAIMER OF OPINION ON THE RESTATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010 ISSUED BY BAKER TILLY TFW LLP (CONTINUED)

(p) Going concern

The Group incurred losses of $24,794,000 and $1,371,000 respectively for the financial years ended 31 December 2009 and 31 December 2010. The Company incurred losses of $33,790,000 and $1,617,000, after deducting allowances for impairment of receivables from subsidiaries of $26,805,000 and $472,000 respectively for the financial years ended 31 December 2009 and 31 December 2010. The Group's current liabilities exceeded its current assets by $3,305,000 and $21,591,000 respectively as at 31 December 2009 and 31 December 2010, and the Company's current liabilities exceeded its current assets by $4,699,000 and $6,546,000 respectively as at 31 December 2009 and 31 December 2010.

The Group have several on-going litigations as at 31 December 2009 and 31 December 2010.

In addition, the Group and the Company breached certain financial covenants of certain borrowings as at 31 December 2009 and 31 December 2010. However, the banks have not enforced their rights for immediate repayments.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The ability of the Group and the Company to continue as a going concern depends on the ability of the Group and the Company to generate profit from operations and obtain additional fundings for its working capital requirements in the next twelve months. It is presently not possible to determine the eventual outcome of such strategies.

The financial statements have been prepared on the assumption that the Group and the Company will continue as a going concern. If the Group and the Company are unable to continue in operational existence for the foreseeable future, and the Group and the Company may be unable to discharge their liabilities in the normal course of business, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to the financial statements.

Due to the matters described in the above paragraphs, we were unable to conclude as to the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Consequently, we were unable to determine whether any adjustments might have been found necessary in respect of the Group's financial statements for the financial years ended 31 December 2009 and 31 December 2010."

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Darco Water Technologies Limited on 14 August 2012.

Statistics of Shareholdings

As at 31 July 2012

Number of Shares	–	276,684,812
Class of Shares	–	Ordinary shares
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	67	2.70	2,986	0.00
1,000 – 10,000	1,213	48.81	6,794,520	2.46
10,001 – 1,000,000	1,174	47.24	87,510,980	31.63
1,000,001 AND ABOVE	31	1.25	182,376,326	65.91
TOTAL	**2,485**	**100.00**	**276,684,812**	**100.00**

As at 31 July 2011, approximately 71.54% 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.	STONE ROBERT ALEXANDER	38,725,000	14.00
2.	THYE KIM MENG	36,795,711	13.30
3.	MAYBAN NOMINEES (S) PTE LTD	20,001,000	7.23
4.	HSBC (SINGAPORE) NOMINEES PTE LTD	8,583,443	3.10
5.	DBS NOMINEES PTE LTD	7,463,780	2.70
6.	PHILLIP SECURITIES PTE LTD	7,147,000	2.58
7.	TEH SWEE HENG	6,994,820	2.53
8.	OCBC SECURITIES PRIVATE LTD	6,581,008	2.38
9.	UOB KAY HIAN PTE LTD	5,337,000	1.93
10.	LEE SUE LIN	4,678,800	1.69
11.	THYE KIM FAH	4,493,140	1.62
12.	TAN LEK LEK	4,212,000	1.52
13.	TAN CHENG HWEE	3,800,000	1.37
14.	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,161,000	1.14
15.	KANG SWEE LIAT	2,604,000	0.94
16.	WONG POH HWA @ KWAI SENG	2,000,000	0.72
17.	LIOU LOO SEAH	1,690,000	0.61
18.	DAVID REGINALD KIRKWOOD	1,684,000	0.61
19.	THYE KIM LOY	1,564,840	0.57
20.	HL BANK NOMINEES (S) PTE LTD	1,353,000	0.49
	TOTAL	**168,869,542**	**61.03**

SUBSTANTIAL SHAREHOLDERS AS AT 31 JULY 2012

as recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	Number of shares (Direct Interest)	Number of shares (Deemed Interest)	Total	%
STONE ROBERT ALEXANDER	38,725,000	–	38,725,000	14.00
THYE KIM MENG	36,795,711	27,000,000	63,795,711	23.06

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Darco Water Technologies Limited ("the Company") will be held at Cliftons Singapore 108 Robinson Road Level 11 The Finexis Building Singapore 068900 on Friday, 31 August 2012 at 3.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors retiring by rotation in accordance with the Articles of Association of the Company and who, being eligible, offer themselves for re-election:

   Mr Thye Kim Meng (Article 106) **(Resolution 2)**

   Ms Heather Tan Chern Ling (Article 106) **(Resolution 3)**

   Mr Thye Kim Meng, if re-elected as a director, will remain as the member of the Audit Committee, and a member of the Nominating Committee and will be considered non-independent.

   Ms Heather Tan Chern Ling, if re-elected as a director, will remain as the member of the Remuneration Committee and will be considered non-independent.

3. To nominate Mr. Thye Ze Pin as an Executive Director of the Company. **(Resolution 4)**

4. To approve the Directors' fees of S$131,879.03 payable by the Company for the year ended 31 December 2011 (2010: S$128,000).

   (Resolution 5)

5. To re-appoint Messrs Baker Tilly TFW LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

   (Resolution 6)

AS SPECIAL BUSINESS

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

5. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares in the capital of the Company**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

Notice of Annual General Meeting

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares.

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares in the capital of the Company, excluding treasury shares at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(i) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(ii) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) 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

Notice of Annual General Meeting

required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)] **(Resolution 7)**

6. To transact any other business which may properly be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Fu Nee Fa
Company Secretary

Singapore, 16 August 2012

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 5 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next AGM, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued shares in the capital of the Company, excluding treasury shares of which up to twenty per centum (20%) may be issued other than on a pro rata basis.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 123 Woodlands Industrial Park E5 Woodlands E-Terrace Singapore 757498 (48) hours before the time appointed for holding the Meeting.

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DARCO WATER TECHNOLOGIES LIMITED
Registration No. 200106732C
(Incorporated in Singapore)

IMPORTANT

1. For investors who have used their CPF monies to buy DARCO WATER TECHNOLOGIES LIMITED's shares, this Annual Report is forwarded to them at the request of the 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of DARCO WATER TECHNOLOGIES LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Cliftons Singapore 108 Robinson Road Level 11 The Finexis Building Singapore 068900 on 31 August 2012 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2011		
2	Re-election of Mr Thye Kim Meng as director (Article 106)		
3	Re-election of Ms Heather Tan Chern Ling as director (Article 106)		
4	Appointment of Mr. Thye Ze Pin as director (Article 116)		
5	Approval of Directors' fees amounting to S$131,879.03 for FY2011		
6	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
7	Authority to allot and issue new shares		

Dated this ____________ day of ____________ 2012

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

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 of Singapore), 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall 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 one or two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) 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 may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

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 123 Woodlands Industrial Park E5, Woodlands E-Terrace, Singapore 757498 not less than 48 hours before the time set for the Annual General Meeting.

General:

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 shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Designed and produced by

TOPPAN

TOPPAN VITE PTE. LTD.

(65) 6578 6522

DARCO

SOLUTIONS TO WATER & WASTE

DARCO WATER TECHNOLOGIES LIMITED
123 Woodlands Industrial Park E5
Woodlands E-Terrace, Singapore 757498