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DARCO

Darco Water Technologies Limited

CONTENTS

	Page
CORPORATE INFORMATION	2
BOARD OF DIRECTORS	3
CHAIRMAN'S STATEMENT	5
FINANCIAL HIGHLIGHTS	7
CORPORATE GOVERNANCE STATEMENT	10
REPORT OF THE DIRECTORS	15
STATEMENT OF DIRECTORS	18
AUDITORS' REPORT	19
BALANCE SHEETS	20
INCOME STATEMENT	21
STATEMENTS OF CHANGES IN EQUITY	22
CONSOLIDATED CASHFLOW STATEMENT	23
NOTES TO FINANCIAL STATEMENTS	24
STATISTICS OF SHAREHOLDERS	50
NOTICE OF ANNUAL GENERAL MEETING	51
PROXY	

— CORPORATE INFORMATION —

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

— BOARD OF DIRECTORS —

Darco Water Technologies Limited & Subsidiaries

Mr Thye Kim Meng

Malaysian, Aged 52

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 20 years of experience in design engineering applications in the field of water purification and wastewater treatment facilities, having served as Managing Director of Wheelabrator Engineered Systems (S) Pte Ltd, Vice-President (ASEAN, Business Development) of Wheelabrator Water Technologies (S) Pte Ltd and Senior Director/Technical Consultant with U.S. Filter (Asia) Pte Ltd and Darchet Engineering & Water Treatment Pte Ltd. Mr Thye graduated from the Polytechnic of Wolverhampton, England with a Bachelor of Science in Mechanical Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Teh Swee Heng

Malaysian, Aged 55

Executive Director (Business Development)

Mr Teh Swee Heng is in charge of business development, sales and marketing of water purification and wastewater treatment systems and services for our Group. He was appointed to the Board of Directors of the Company on 11 March 2002 and is a member of the Remuneration Committee. Mr Teh has more than 13 years of experience in sales, operations and engineering project management in water purification and wastewater treatment facilities, having served as Sales and Operation Director with Wheelabrator (M) Sdn. Bhd. and U.S. Filter (M) Sdn. Bhd. He was also a Director and the Sales and Operation Manager of Darchet (M) Sdn Bhd. Mr Teh graduated from the University of Heriot-Watt, Edinburgh, Scotland with a Bachelor of Science in Electrical and Electronic Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Alfred Lee

Malaysian, Aged 52

Executive Director (Technical)

Mr Alfred Lee Sue Lin is in charge of technical process design, process applications and technical operations in our Group. He was appointed to the Board of Directors of the Company on 13 October 2001 Mr Lee has more than 21 years of treatment process knowledge and experience in the field of water purification and wastewater treatment facilities, having served as Technical Director with Wheelabrator Engineered Systems (S) Pte Ltd, Wheelabrator Water Technologies (S) Pte Ltd, U.S. Filter (Asia) Pte Ltd and Darchet Engineering & Water Treatment Pte Ltd. Mr Lee graduated from the University of Birmingham with a Bachelor of Science in Chemical Engineering. He does not hold any directorships or chairmanships in other listed companies in Singapore.

Mr Daniel Ee

Singaporean, Aged 52

Independent Director

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

— BOARD OF DIRECTORS —

Darco Water Technologies Limited & Subsidiaries

Mdm Hwa Hsueh Tsing
Singaporean, Aged 52
Independent Director

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

Key Management

Yap Keck Meng, aged 38, is the Group's Financial Controller. Yap Keck Meng is responsible for the Group's financial and operating functions. Prior to joining the Group, he spent 8 years in the Credit / Business Development functions in foreign banks and 5 years in the finance functions in local and foreign MNCs in Singapore. He graduated from the National University of Singapore with a Bachelor of Accountancy and is a non-practicing member of the Institute of Certified Public Accountants of Singapore.

Calvin Thye, aged 54 years, is the General Manager of Darco System (M) Sdn. Bhd ("DSM"). Calvin Thye is responsible for DSM's overall management and operations of DSM in relation to our business in the central and southern regions of Peninsula Malaysia. He is also a key player in formulating the corporate strategies and charting new directions and goals for DSM. Calvin Thye has over 13 years of experience in water purification treatment business. Calvin Thye attained a Cambridge General Certificate of Education at the Ordinary Level. Calvin Thye is the brother of Thye Kim Meng.

Yeoh Choo Seng, aged 37 years, is the General Manager of Darco Industrial Water Sdn Bhd ("DIW"). Yeoh Choo Seng is responsible for the overall management and operations of DIW in relation to our business in the northern region of Peninsula Malaysia, in particular Penang and Kuching. Yeoh Choo Seng has over 12 years of experience in water treatment business. Yeoh Choo Seng attained an Electronic Engineering Diploma from Butterworth Technology Institute, a Full Technological Certificate (Electrical Engineering) from the City and Guilds of London Institute and a certificate from The Society of Engineers (Telecommunications and Electronics).

Tony Huang, aged 53 years, is our Head (Operations), who is responsible for our Group's operations in wastewater treatment systems and maintenance services. Tony Huang has over 25 years of experience in design, installations and commissioning of wastewater treatment system. Tony Huang graduated with a degree in Bachelor of Science in Civil Engineering and obtained Masters of Science in Civil Engineering both from Cheng Kung University, Taiwan.

— CHAIRMAN'S STATEMENT —

Dear Esteemed Shareholders,

Record Turnover

I am pleased to report that we exceeded our revenue target for Financial Year 2004. Our turnover was up 48% to a record S\$50.6 million, which is also some 12% higher than our target of S\$45 million. Standing out in particular were revenue contributions from the Engineered Environmental Systems Sales and Water Management Services Sales, notably in the Malaysia and Taiwan markets. So, I would say FY2004 was when we actually started to see results from the major investments we made in prior years.

Growth for the year was in line with our vision and business plan, but it would have been even more sparkling, if not for a couple of factors. Steep hikes in global steel price, especially due to China's continued construction boom, affected practically all our operations and all our subsidiaries. On the other hand, while the impact of fuel price rise on our operations was not as widespread, it constituted a significant portion of project costs, particularly in the case of our soil remediation project in Taiwan.

Our profit attributable to shareholders in FY2004 was lower because we decided to make a significant provision against a bad trade debts on trade receivables of S\$1.3 million. As a result, attributable profits were down 23% to S\$1.8 million. Without this higher provision, attributable profits would have risen 3% instead to S\$3.1 million.

Milestones

We achieved a number of milestones last year, one of which was attaining the ISO9000 certification for quality excellence in August. Another milestone was reached when we acquired the remaining 40% of subsidiary PV Vacuum Engineering Pte Ltd ("PV Vacuum"), which designs and supplies environment-related equipment. With PV Vacuum now a wholly-owned subsidiary, we are in a better position to leverage on the synergy between the existing customers of PV Vacuum and that of the Group, as well as to tap onto the experience and expertise of PV Vacuum's management in the area of vacuum and environmental engineering.

For FY2005, we have no immediate plans to set up new subsidiaries or to make hefty new infrastructural investments. Instead, our focus will be firmly on improving our bottom-line. In particular, we hope to raise gross profit margin back up to some 32% — where it was in 2003. The gross profit margin declined slightly to 29.3% in FY2004, due mainly to the aforementioned steep steel and oil price hikes. Fortunately, with an expected cooling in China's economy this year, the country's steel consumption is expected to slow down, which in turn means steel prices are unlikely to climb up as much as last year. At the same time, even if oil prices were to rise this year, they may not have as significant an impact on our company's performance as last year, since the Taiwan oil remediation project is scheduled to be completed in the first half of 2005.

But we are not about to leave ourselves to the mercy of steel and oil price fluctuations, in our endeavour to improve our gross profit margin. We have secured suppliers in China who can help lower material costs for our Singapore and Malaysian purchasing activities. We will also be looking more closely at our financing activities.

Growth Drivers

In the past, our growth came primarily from Singapore and Malaysia. After listing in July 2002, the contributions were mainly from Taiwan, Malaysia and China. We believe that soon our operations in Indonesia and the Philippines, which commenced two years ago, will start to make more visible contributions.

We are encouraged by the positive business environment in practically all the countries which we operate, as it in turn means an optimistic outlook for our environmental engineering industry. Still, the business environment in our major markets will remain challenging in FY2005. Notwithstanding that, we can look forward to reaping the fruits of our geographical diversification.

— CHAIRMAN'S STATEMENT —

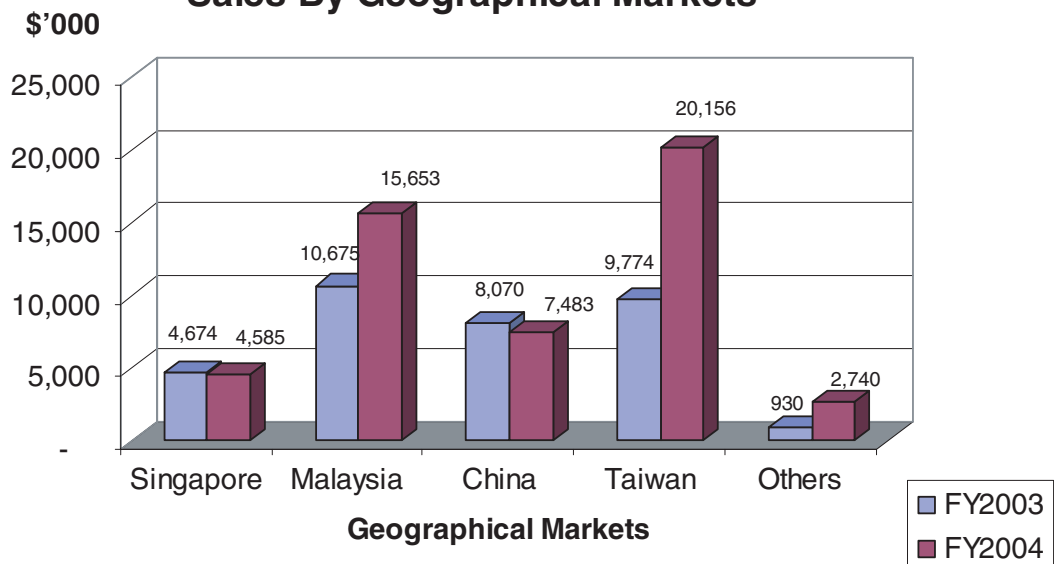
Going forward, we will step up our efforts in the Malaysian and Singapore markets, especially in the power and municipal sectors, so as to help more than offset the widely forecast slowdown in activities in the electronics and semiconductor sectors in these countries. However, in China, the demand for environmental engineering services by the electronics and semiconductor sectors will continue to grow. Hence, we can expect our manpower to expand in China, but not our infrastructural investments, as much of these had been ploughed in already.

Prospects

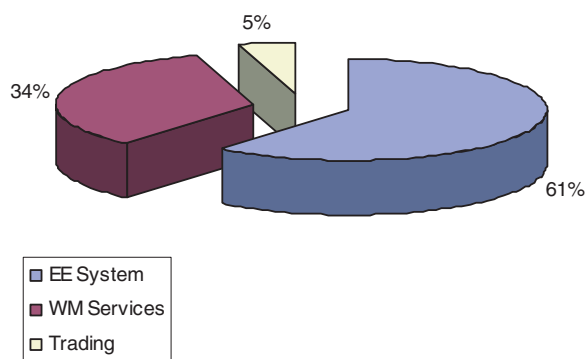
To sum up, we see continued growth in FY2005 and we are all geared up to score some major achievements, given the bright business outlook for the year. I would like to take this opportunity to thank all stakeholders – directors, management staff, employees, customers, shareholders, suppliers and other business partners – for your unstinting support and dedication. With your continued support, I am confident we will forge resolutely ahead in FY2005.

— FINANCIAL HIGHLIGHTS —

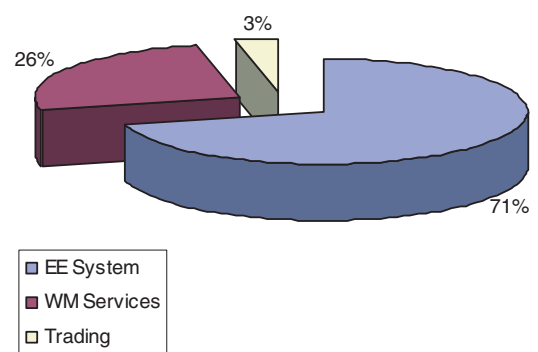
Sales By Geographical Markets



Sales By Activity FY2003

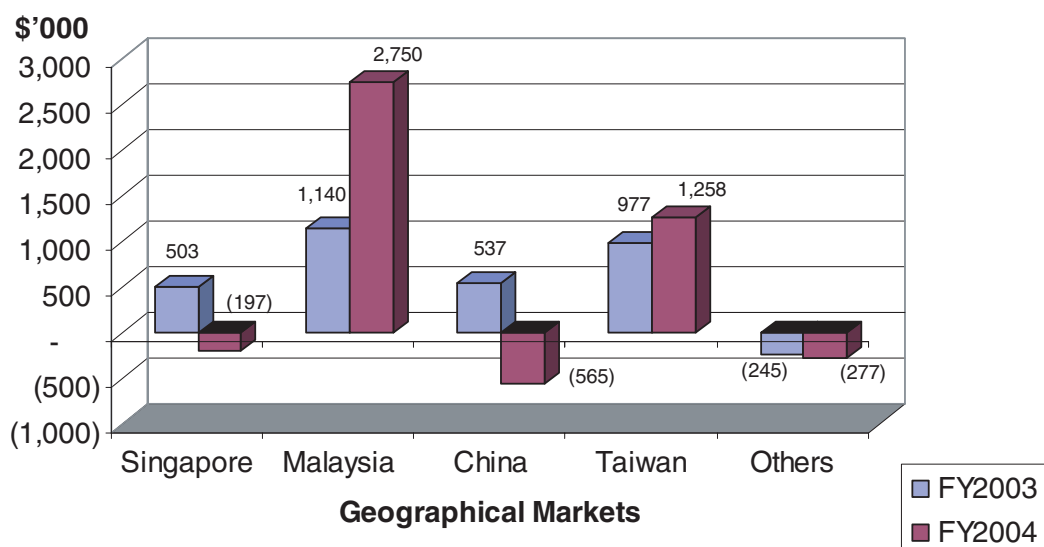


Sales By Activity FY2004

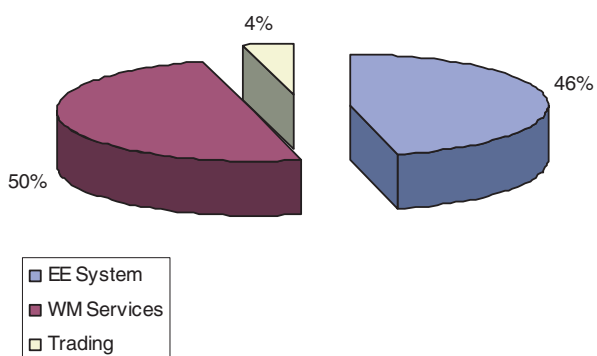


— FINANCIAL HIGHLIGHTS —

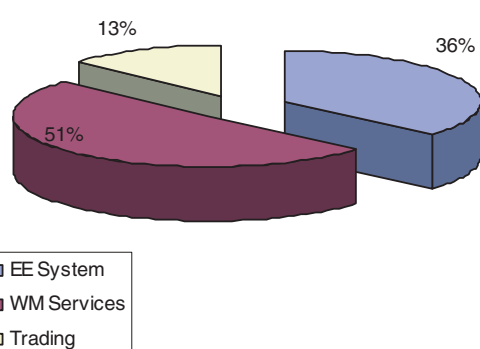
Profit Before Tax By Geographical Markets



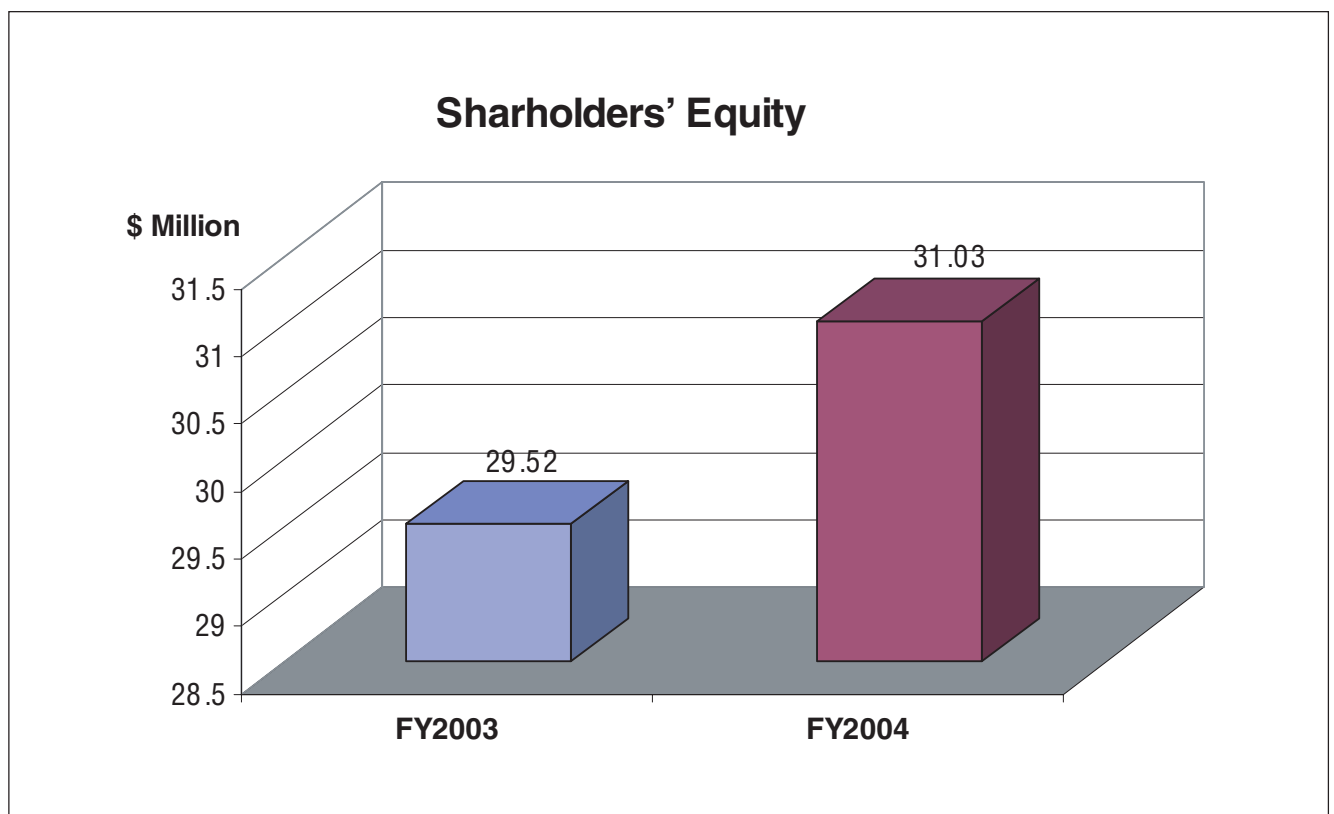
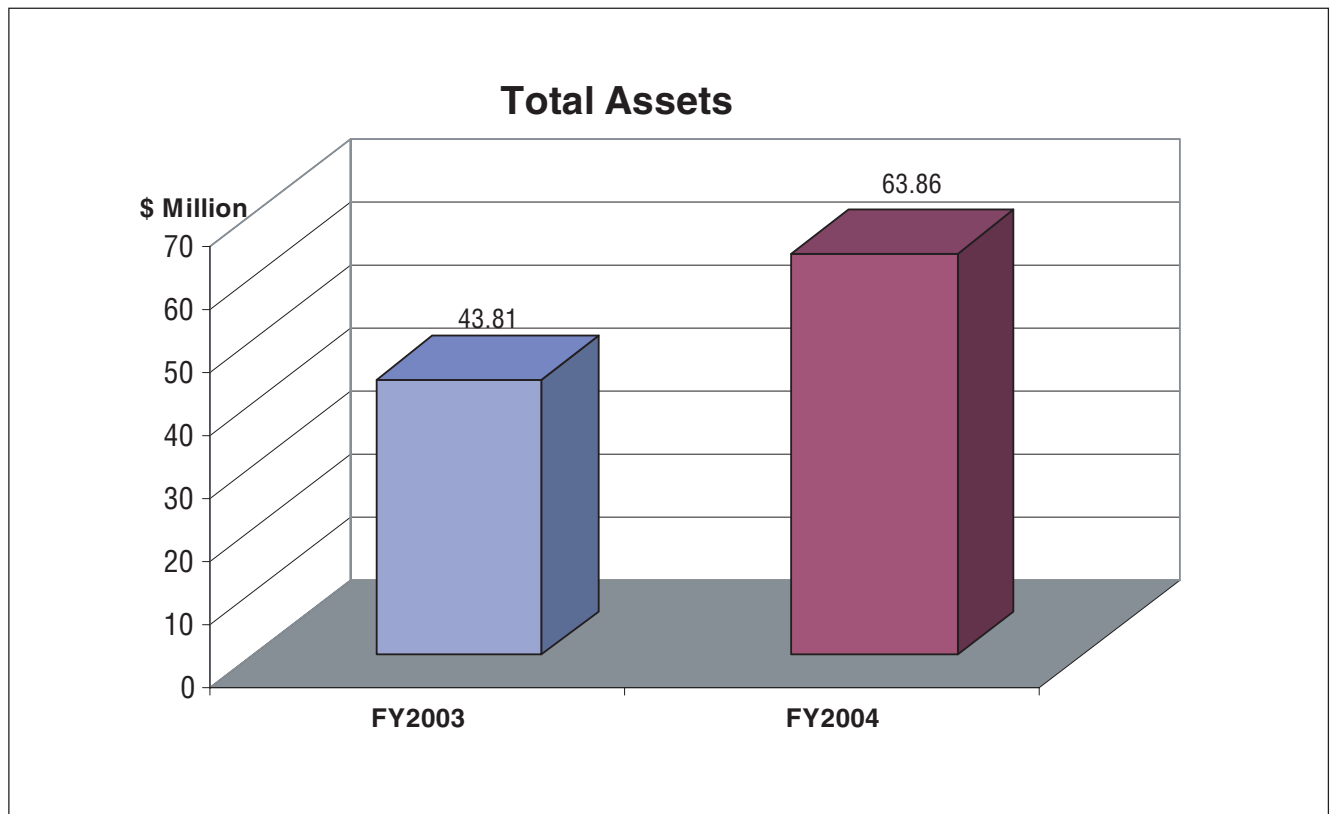
Profit Before Tax By Activity FY2003



Profit Before Tax By Activity FY2004



— FINANCIAL HIGHLIGHTS —



— CORPORATE GOVERNANCE STATEMENT —

(For the year ended 31 December 2004)

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

Board Matters

Principal 1 : Board’s Conduct of its Affairs

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

Board/ Committees	Board	Board Committees		
		Audit	Remuneration	Nominating
No of meetings held	2	5	1	1
Directors				
Daniel Cuthbert Ee	2	5	1	1
Hock Huat				
Hwa Hsueh Tsing	2	5	1	1
Thye Kim Meng	2	5		1
Teh Swee Heng	2		1	
Alfred Lee Sue Lin	2			

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

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

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

Principal 2 : Board Composition and Balance

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

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

— CORPORATE GOVERNANCE STATEMENT —

(For the year ended 31 December 2004)

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

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

Principal 3 : Role of Chairman and Chief Executive Officer

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

The Chairman is guided by recommendations provided by our Company Secretary, the Chairmen of the Audit, Nominating and Remuneration Committees and the Company's 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.

Principal 4 : Board Membership

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

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

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

Principal 5 : Board Performance

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

— CORPORATE GOVERNANCE STATEMENT —

(For the year ended 31 December 2004)

Principal 6 : Access to Information

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

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

Principal 7 : Remuneration Matters

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

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

Principal 8 : Level and Mix of Remuneration

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

The Remuneration Committee has reviewed and accepted that no changes to the existing Service Agreements which were entered into between the Company and the Executive Directors, namely Mr Thye Kim Meng, Mr Teh Swee Heng and Mr Alfred Lee, on 11 March 2002. These Service Agreements are disclosed to shareholders in the Company's Prospectus dated 28 June 2002.

Principal 9 : Disclosure of Remuneration

The remuneration of the Directors are disclosed in page 43 of this Annual Report. The number of Directors and top five executives (non-directors) whose remuneration fell within the following ranges are as follows:-

	Group			
	2004 Directors	2004 Executives	2003 Directors	2003 Executives
Below S\$250,000	5	5	5	5
S\$250,000 – S\$499,999	—	—	—	—
S\$500,000 and above	—	—	—	—
Total	5	5	5	5

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 2004)

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

	Salaries, including CPF	Variable Bonus	Director's Fees	Total
Thye Kim Meng	100%	—	—	100%
Teh Swee Heng	100%	—	—	100%
Lee Sue Lin	100%	—	—	100%
Daniel Cuthbert Ee Hock Huat	—	—	100%	100%
Hwa Hsueh Tsing	—	—	100%	100%

Principal 10 : Accountability and Audit

The Management is accountable to the Board, and provides members of the Board with balanced and understandable accounts of the Company's and its subsidiaries' performance, financial positions 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 shareholders when necessary, and where required by the regulators.

Principal 11 : Audit Committee

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

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

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

The external auditors were engaged by the Company on 13 October 2001. During the year, the Audit Committee met the external auditors without the presence of management.

Principal 12 : Internal Controls

The Board is satisfied that the Audit Committee has made meaningful improvements within the Company in the area of internal financial 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 control environment is maintained in a cost effective manner.

— CORPORATE GOVERNANCE STATEMENT —

(For the year ended 31 December 2004)

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

Principal 13 : Internal Audit

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

At the recommendation of the Audit Committee, the Company has established an internal audit function which is co-sourced with CK Siow & Associates during the year. During the year, the Internal Audit Charter and the Internal Audit Plan were approved by the Audit Committee. The Internal Audit function reports directly to the Audit Committee.

Principal 14 : Communication with Shareholders

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

Principal 15 : Communication by Shareholders

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

Interested Party Transactions

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

Securities Transactions

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

— REPORT OF THE DIRECTORS —

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the financial year ended 31 December 2004.

1. DIRECTORS AT DATE OF REPORT

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

Thye Kim Meng	(Managing Director and Chief Executive Officer) (a)(c)
Lee Sue Lin	(Executive Director)
Teh Swee Heng	(Executive Director) (b)
Daniel Cuthbert Ee Hock Huat	(Independent Director) (a)(b)(c)
Hwa Hsueh Tsing	(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 BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

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

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

<u>Name of directors and companies in which interests are held</u>	<u>Direct interest</u>		<u>Deemed interest</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
Darco Water Technologies Limited (the company)				
		<u>Ordinary shares of \$0.05 each</u>		
Thye Kim Meng	31,897,855	34,295,711	31,897,856	29,500,000
Lee Sue Lin	7,594,800	7,594,800	—	—
Teh Swee Heng	7,444,820	5,844,820	—	1,350,000
Daniel Cuthbert Ee Hock Huat	50,000	50,000	—	—
Hwa Hsueh Tsing	50,000	70,000	—	—

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

The directors' interests as at 21 January 2005 were the same as those at the end of the year.

— REPORT OF THE DIRECTORS —

4. CONTRACTUAL BENEFITS OF DIRECTORS

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

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

5. OPTIONS TO TAKE UP UNISSUED SHARES

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

6. OPTIONS EXERCISED

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

7. UNISSUED SHARES UNDER OPTION

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

8. AUDIT COMMITTEE

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

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

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

The audit committee also performed the following functions:

- Reviewed with the external auditors their evaluation of the company's internal accounting controls;
- Reviewed the adequacy of the assistance provided by the company's officers to the external auditors;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transaction (as defined in Chapter 9 of the listing manual of SGX).

— REPORT OF THE DIRECTORS —

8. AUDIT COMMITTEE (Cont'd)

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

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

9. AUDITORS

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

10. DEVELOPMENTS SUBSEQUENT TO ANNOUNCEMENT OF RESULTS

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 22 February 2005, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

ON BEHALF OF THE DIRECTORS

.....
Thye Kim Meng
Managing Director and Chief Executive Officer

.....
Lee Sue Lin
Executive Director

23 February 2005

— STATEMENT OF DIRECTORS —

In the opinion of the directors, the accompanying financial statements set out on page 20 to 49 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2004 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

.....
Thye Kim Meng
Managing Director and Chief Executive Officer

.....
Lee Sue Lin
Executive Director

23 February 2005

— AUDITORS' REPORT —

to the members of Darco Water Technologies Limited

We have audited the accompanying financial statements of Darco Water Technologies Limited set out on pages 20 to 49 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 December 2004 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Chio Lim & Associates
Certified Public Accountants

Singapore
23 February 2005

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

— BALANCE SHEETS

As at 31 December 2004

		<u>Group</u>	<u>Company</u>		
	<u>Notes</u>	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
ASSETS					
Current assets:					
Cash and cash equivalents	5	11,196	5,930	312	188
Trade receivables	6	23,970	16,589	706	596
Other receivables and prepayments	7	3,052	2,930	38,485	21,333
Inventories	8	2,322	1,673	—	—
Contracts work-in-progress	9	—	1,318	—	—
Total current assets		40,540	28,440	39,503	22,117
Non-current assets:					
Investments in subsidiaries	10	—	—	6,317	6,317
Property, plant and equipment	11	21,547	13,227	—	—
Goodwill	12	735	1,070	—	—
Long-term trade receivables	6	1,035	1,072	—	—
Total non-current assets		23,317	15,369	6,317	6,317
Total assets		63,857	43,809	45,820	28,434
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term borrowings	13	7,429	2,625	7,376	2,123
Contracts work-in-progress	9	3,835	—	—	—
Trade payables and accrued liabilities	14	4,747	6,694	242	98
Other payables	15	4,379	595	3,138	208
Income tax payable		478	116	—	—
Current portion of long-term borrowings	16	2,144	181	1,639	—
Current portion of finance leases	17	21	26	—	—
Total current liabilities		23,033	10,237	12,395	2,429
Non-current liabilities:					
Deferred tax liabilities	24	115	115	—	—
Long-term borrowings	16	6,471	961	6,146	—
Finance leases	17	—	21	—	—
Total non-current liabilities		6,586	1,097	6,146	—
Minority interests		3,207	2,959	—	—
Capital and reserves:					
Issued capital	18	9,060	9,060	9,060	9,060
Reserves		21,971	20,456	18,219	16,945
Total equity		31,031	29,516	27,279	26,005
Total liabilities and equity		63,857	43,809	45,820	28,434

See accompanying notes to financial statements.

— INCOME STATEMENT

Year ended 31 December 2004

		Group	
	Notes	2004 \$'000	2003 \$'000
Revenue	19	50,618	34,123
Cost of sales		(35,812)	(22,922)
Gross profit		14,806	11,201
Other operating income	20	82	74
Distribution costs		(3,582)	(2,925)
Administrative expenses		(6,489)	(4,613)
Other credits / (charges)	21	(1,433)	(580)
Profit from operations		3,384	3,157
Finance costs	22	(415)	(245)
Profit before income tax	23	2,969	2,912
Income tax expense	24	(908)	(512)
Net profit for the year		2,061	2,400
Attributable to:			
Equity holders of the company		1,813	2,345
Minority interests		248	55
		2,061	2,400
Earnings per share (cents)	29		
– Basic		1.00	1.35
– Diluted		1.00	1.35

See accompanying notes to financial statements.

— STATEMENTS OF CHANGES IN EQUITY —

Year ended 31 December 2004

<u>Group</u>	<u>Issued capital</u> \$'000	<u>Share premium</u> \$'000	<u>Foreign exchange translation reserves</u> \$'000	<u>Accumulated profits</u> \$'000	<u>Total</u> \$'000
At 31 December 2002	7,448	5,413	(284)	1,714	14,291
Issue of ordinary shares	1,612	12,139	—	—	13,751
Expenses relating to issue of ordinary shares	—	(611)	—	—	(611)
Foreign currency translation differences not recognised in the income statement	—	—	(260)	—	(260)
Net profit for the year	—	—	—	2,345	2,345
Balance at 31 December 2003	9,060	16,941	(544)	4,059	29,516
Foreign currency translation differences not recognised in the income statement	—	—	(298)	—	(298)
Net profit for the year	—	—	—	1,813	1,813
At 31 December 2004	9,060	16,941	(842)	5,872	31,031

(a)

(a)

<u>Company</u>	<u>Issued capital</u> \$'000	<u>Share premium</u> \$'000	<u>Accumulated profits</u> \$'000	<u>Total</u> \$'000
At 31 December 2002	7,448	5,413	1	12,862
Issue of ordinary shares	1,612	12,139	—	13,751
Expenses related to issue of ordinary shares	—	(611)	—	(611)
Net profit for the year	—	—	3	3
Balance at 31 December 2003	9,060	16,941	4	26,005
Net profit for the year	—	—	1,274	1,274
Balance at 31 December 2004	9,060	16,941	1,278	27,279

(a)

(a) Not available for cash dividends.

— CONSOLIDATED CASH FLOW STATEMENT —

Year ended 31 December 2004

	Group	
	2004	2003
	\$'000	\$'000
Cash flows from operating activities:		
Profit before income tax	2,969	2,912
Adjustments for :		
Depreciation expense	1,026	705
Loss on disposal of plant and equipment	29	14
Amortisation of goodwill	335	71
Interest income	(36)	(26)
Interest expense	415	245
Operating profit before working capital changes	4,738	3,921
Inventories	(649)	(176)
Contracts work-in-progress	5,153	(1,074)
Trade receivables	(7,345)	(5,555)
Other receivables and prepayments	(122)	(1,008)
Trade payables and accrued liabilities	(1,947)	3,880
Other payables	3,784	(402)
Cash from (used in) operations	3,612	(414)
Interest received	36	26
Interest paid	(415)	(245)
Income taxes paid	(546)	(443)
Net cash from (used in) operating activities	2,687	(1,076)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 27)	(10,760)	(7,003)
Increase in fixed deposit with bank	(1,454)	—
Disposal of plant and equipment	1,072	31
Acquisitions of subsidiaries - net cash acquired (Note 28)	—	1,031
Net cash used in investing activities	(11,142)	(5,941)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	—	12,139
Increase in long-term borrowings	7,473	141
Short-term borrowings	5,254	(2,015)
Repayment of finance leases	(26)	(37)
Net cash from financing activities	12,701	10,228
Net effect of exchange rate changes in consolidation of foreign subsidiaries	16	(283)
Net increase in cash	4,262	2,928
Cash at beginning of year	5,357	2,429
Cash at end of year (Note 27)	9,619	5,357

See accompanying notes to the financial statements.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

1 GENERAL

The company is incorporated in Singapore. The financial statements are expressed in Singapore dollars. They are drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Singapore Financial Reporting Standards. The financial statements were approved and authorised for issue by the board of directors on 23 February 2005.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION – The financial statements are prepared in accordance with the historical cost convention.

BASIS OF PRESENTATION – The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to 31 December each year of the company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intergroup balances and transactions including income, expenses and dividend are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of unamortised goodwill is included in the determination of the gain or loss on disposal.

GOODWILL – Goodwill or negative goodwill arising on acquisition is based on the purchase method. Goodwill arising on consolidation represents the excess of the cost of acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities of the subsidiary, acquired as at the date of acquisition. Goodwill is carried at cost less any accumulated amortisation and any accumulated impairment losses. It is amortised on the straight-line method over its useful life to reflect the best estimate of the period during which future economic benefits are expected to flow to the acquirer.

The group will adopt FRS 103 Business Combination with effect from 1 January 2005. FRS prohibits the amortisation of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with FRS 36 Impairment of Assets.

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

SUBSIDIARIES – In the company's own financial statements, the investments in subsidiaries are carried at cost less any provision for impairment in value. The net book values of the subsidiaries are not necessary indicator of the amount that would be realised in a current market exchange.

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

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

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

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

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

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

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

IMPAIRMENT OF ASSETS – At each reporting date an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. A provision is made for the excess of the carrying amount over the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

BORROWING COSTS – All borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FOREIGN CURRENCY FINANCIAL STATEMENTS – The foreign entities determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements of the parent company the assets and liabilities denominated in currencies other than the functional currency of the parent company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders' equity until the disposal of the foreign entity.

INCOME TAXES – Income taxes are accounted for using the asset and liability method. The asset and liability method requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statement or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from (a) goodwill for which amortisation is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

LEASES – A finance lease is recognised as an asset and a liability in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased assets or, if lower, at the present value of the lease payments based on the interest rate implicit in the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are allocated to each lease term so as to produce a constant rate of charge on the remaining balance of the obligations. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight line basis unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

ACCOUNTING ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting that have the most significant effect on the amounts recognised in the financial statements.

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

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

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying values of cash, accounts receivable, other current financial assets, short-term borrowings, accounts payable and other current financial liabilities approximate their fair market values due to the short-term maturity of these instruments. The fair value of long-term debt was not determined because the book values approximate the fair value. Those financial assets and liabilities that have a fixed maturity are measured at amortised cost using the effective interest rate method. Those that do not have a fixed maturity are measured at cost. All financial assets are subject to review for impairment.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

CREDIT RISKS OF FINANCIAL ASSETS – Financial assets that potentially subject the group to concentration of credit risks consist principally of cash, cash equivalents and trade and other accounts receivable. The directors believe that the financial risks associated with these financial instruments are minimal. The group places its cash and cash equivalents with high credit quality institutions. The group performs ongoing credit evaluation of its customers' financial condition and maintains a provision for impairment based upon the expected collectibility of all accounts receivable. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the note to the financial statements.

OTHER RISKS ON FINANCIAL INSTRUMENTS – The group monitors its interest, foreign exchange risks, and changes in fair values from time to time and any gains and losses are included in the income statement. The group is exposed to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. The group is also exposed to changes in foreign exchange rates and liquidity of businesses. The group does not utilise forward contracts or other arrangements to minimise these risks nor does it utilise forward contracts or other arrangements for trading or speculative purposes. At 31 December 2004 there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

3 RELATED COMPANY TRANSACTIONS

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

Some of the company's transactions and arrangements are between members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are without fixed repayment terms and interest unless stated otherwise. It is impracticable to reliably estimate the fair values of the balances when there are no maturity dates and interest.

4 RELATED PARTY TRANSACTIONS

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

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are without fixed repayment terms and interest unless stated otherwise. It is impracticable to reliably estimate the fair values of the balances when there are no maturity dates and interest.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

4 RELATED PARTY TRANSACTIONS (Cont'd)

Significant related party transactions :

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

	<u>Group</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000
Professional fees paid H.T. Hwa & Associates	1	1
Rental expense		
Calvin Thye, an Executive Officer of the company	12	7
Perusahaan Adchem Sdn. Bhd.	48	22
	<hr/>	<hr/>

5 CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Not restricted in use	9,619	5,807	312	188
Restricted (a)	1,577	123	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	11,196	5,930	312	188
	<hr/>	<hr/>	<hr/>	<hr/>

Analysis of above amount by currencies :

	<u>Group</u>		<u>Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
New Taiwan Dollars	3,863	2,559	—	—
Chinese Renminbi	2,500	1,119	—	—
Singapore Dollars	2,060	1,124	102	149
Malaysian Ringgit	1,404	938	—	—
US Dollars	1,200	15	210	39
Philippines Peso	124	127	—	—
Hong Kong Dollars	37	39	—	—
Indonesia Rupiah	8	9	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	11,196	5,930	312	188
	<hr/>	<hr/>	<hr/>	<hr/>

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

The effective rate of interest for the cash on interest earning accounts is approximately 0.42% (2003: 0.57%) receivable annually.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

6 TRADE RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Outside parties (a)	26,263	17,661	—	40
Provision for impairment	(1,258)	—	—	—
Subsidiaries (Notes 3 and 10)	—	—	706	556
	<hr/>	<hr/>	<hr/>	<hr/>
Total current portion	25,005	17,661	706	596
	(23,970)	(16,589)	(706)	(596)
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current portion (b)	1,035	1,072	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Movements in above provision:				
Balance at beginning of year	—	—	—	—
Charge to income statement	1,258	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	1,258	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>

- (a) Included in the trade receivables of the group is an amount of \$6,236,000 (2003: \$5,944,000) relating to sub-contracting works due from a customer based in Taiwan. The outstanding amount of \$6,236,000 (or US\$3,790,000) is overdue under the terms of the contract and it remains unpaid. An amount of \$5,234,000 (or US\$3,181,000) out of the total outstanding amount of \$6,236,000 is covered by way of a credit insurance underwritten with a credit insurance company in Singapore. The delay in payment is the result of a delay in the completion of the main contract which the customer is involved in. The uninsured amount of \$1,002,000 (or US\$589,000) has been fully provided for during the year. Management has submitted a claim to the credit insurance company during the year and appointed a legal counsel in Taiwan subsequent to year-end for the recovery of debt. The directors are satisfied that management has taken the necessary steps to ensure that the group has met its obligations under the credit insurance policy to date and are of the view that the insured amount is recoverable under the insurance policy.

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

Analysis of above amount by currencies :

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
New Taiwan Dollars	15,283	7,888	—	—
US Dollars	5,216	6,486	—	—
Malaysian Ringgit	2,236	2,645	—	—
Singapore Dollars	1,471	302	706	596
Philippines Peso	316	229	—	—
Chinese Renminbi	469	111	—	—
Indonesia Rupiah	14	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	25,005	17,661	706	596
	<hr/>	<hr/>	<hr/>	<hr/>

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

6 TRADE RECEIVABLES (Cont'd)

The general credit period granted to customers of the group ranged from 30 to 90 (2003: 30 to 90) days. A provision for impairment is established when there is objective evidence that management will not be able to collect all amounts due according to the original terms of receivables. The carrying amount of trade receivables approximates to their fair value. Short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant.

Concentration of customers:

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Top 1 customer	5,234	7,016	—	—

7 OTHER RECEIVABLES AND PREPAYMENTS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiaries (Notes 3 and 10)	—	—	38,365	21,277
Advance payments to suppliers	—	25	—	—
Deposits	852	1,176	39	56
Prepayments	597	436	—	—
Tax refundable	443	193	81	—
Sundry recoverable	1,160	1,100	—	—
	<u>3,052</u>	<u>2,930</u>	<u>38,485</u>	<u>21,333</u>

Analysis of above amount by currencies :

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
New Taiwan Dollars	1,251	736	—	—
US Dollars	820	862	—	—
Chinese Renminbi	335	474	—	—
Singapore Dollars	288	279	38,485	21,333
Indonesia Rupiah	175	189	—	—
Malaysian Ringgit	141	354	—	—
Philippines Peso	42	36	—	—
	<u>3,052</u>	<u>2,930</u>	<u>38,485</u>	<u>21,333</u>

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

7 OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

Included in deposit is an amount of \$820,000 (2003: \$862,000) (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, a company incorporated in the Republic of Indonesia. The total consideration is \$4,920,000 (2003: \$5,100,000) (or US\$3,000,000). The remaining consideration \$4,100,000 (2003: \$4,260,000) (or US\$2,500,000) is payable upon the fulfilment of certain conditions in the sale and purchase agreement. As at the date of this report, the conditions have yet to be fulfilled by the vendor (see also Note 32d). The directors are of the view that the deposit is recoverable. Management has also obtained a personal guarantee from a director of PT Air Bintan Biru during the year to indemnify the group for the recovery of the said deposit.

8 INVENTORIES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Goods for resale, at cost	2,322	1,673	—	—

9 CONTRACTS WORK-IN-PROGRESS

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Costs incurred and attributable profits	30,558	16,718
Less: Progress payments received	(31,801)	(10,019)
Less: Progress payments receivable included in trade receivables	(2,591)	(5,381)
Net balance	(3,835)	1,318

Included in the accompanying balance sheet as follows:

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Costs and attributable profits less losses, in excess of progress payments on uncompleted contracts	1,669	4,132
Customer progress payments in excess of costs and attributable profits less losses on uncompleted contracts	(5,504)	(2,814)
	(3,835)	1,318

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

10 INVESTMENTS IN SUBSIDIARIES

	Company	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Unlisted equity shares, at cost	6,317	6,317
Net book value of subsidiaries	10,070	9,828
Analysis of above amount by currencies:		
Singapore Dollars	3,979	3,979
Malaysian Ringgit	2,338	2,338
	6,317	6,317

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

The subsidiaries as at 31 December 2004 are :-

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	<u>2004</u> %	<u>2003</u> %	Percentage of equity held	
			<u>2004</u> \$'000	<u>2003</u> \$'000
<u>Held by the company</u>				
Darco Engineering Pte Ltd Singapore Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business (Chio Lim & Associates)	100	100	2,679	2,679
Singaway Fluidcontrols Private Limited Singapore Trading and supply of chemicals, electrical controls, instruments and apparatus used in water treatment systems (Chio Lim & Associates)	100	100	100	100
Darco Environmental Pte Ltd Singapore Investment holding(Chio Lim & Associates)	100	100	200	200
Darco Water Systems Sdn. Bhd. Malaysia Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business (Horwath) (a)	100	100	2,338 (RM4,802)	2,338 (RM4,802)
PV Vacuum Engineering Pte Ltd Singapore Design and supply of environmental related equipment (Tan, Teo & Partners) (b)	60	60	1,000	1,000
			6,317	6,317

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

10 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	Percentage effective interest	
	2004 %	2003 %
<u>Held through Darco Engineering Pte Ltd</u>		
Shanghai Darco Engineering Company Limited The People's Republic of China Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Shanghai ShangZi Certified Public Accountants Co., Ltd) (b)	100	100
<u>Held through Darco Environmental Pte Ltd</u>		
Darco Environmental (Taiwan) Inc Taiwan Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Deloitte & Touche) (b) (c)	—	60
P.T. Darco Indonesia Indonesia Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Heliantono & Rakan) (b)	75	75
Darco Environmental (Philippines) Inc The Philippines Design, installation and commissioning of treatment systems for water purification, treatment of wastewater and other waste discharge for industrial use (Fernandez, Santos & Lopez) (b)	65	65
Shanghai Challenge Environmental Engineering Co., Ltd The People's Republic of China Design, fabrication, installation and commissioning of environmental engineering system and providing consultancy services in relation to such business (Shanghai Shang Nan Certified Public Accountants Co., Ltd) (b)	100	100
Darco Engineering (Taiwan) Inc Taiwan Design, fabrication, installation of water and waste water pollution control engineering; air pollution control engineering; solid waste disposal treatment and incineration; noise and vibration prevention engineering; soil pollution control engineering; environmental monitoring system (Deloitte & Touche) (b)	100	100
Globe Industrial Technology Company Ltd Hong Kong Investment holding (W.K. Ang & Co) (b)	75	75

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

10 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of subsidiary, country of incorporation, place of operations and principal activities (and auditors)	Percentage effective interest	
	2004 %	2003 %
<u>Held through Darco Water Systems Sdn. Bhd.</u>		
Darco System (M) Sdn. Bhd. Malaysia Designing, fabrication and constructing pure and waste water treatment plants and trading in related industrial products (Horwath) (a)	100	100
Darco Industrial Water Systems Sdn. Bhd. Malaysia Designing, installing, setting up and maintaining of industrial waste treatment plant ultra pure system, testing of waste water and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment equipment, spare parts and chemicals (Horwath) (a)	100	100
WWMG Environmental Sdn. Bhd. Malaysia Dormant (Horwath) (a)	100	100
<u>Held through Globe Industrial Technology Company Ltd</u>		
Deqing Huanzhong Producing Water Co., Ltd The People's Republic of China Supply of potable water (Deqing Tianqin Certified Public Accountants Co. Ltd) (b)	66	66
<u>Held through Darco Engineering (Taiwan) Inc</u>		
Darco Environmental (Taiwan) Inc Taiwan Design and fabrication of water treatment systems and providing consultancy services in relation to such business (Deloitte & Touche) (b) (c)	60	—
<u>Held through PV Vacuum Engineering Pte Ltd</u>		
Puzer Asia Pte Ltd Singapore Trading in vacuum cleaning systems and provision of related services (Tan, Teo & Partners) (b)	56	56

- (a) Member firms of Horwath International of which Chio Lim & Associates, Singapore is a member.
- (b) Other auditors, firms of accountants other than member firms of Horwath International of which Chio Lim & Associates, Singapore is a member.
- (c) Darco Environmental Pte Ltd sold its entire interest in Darco Environmental (Taiwan) Inc. to Darco Engineering (Taiwan) Inc. during the year.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Leasehold properties	Plant and equipment	Building under construction	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:						
At beginning of year	288	731	2,308	4,570	6,651	14,548
Foreign exchange adjustments	(10)	(27)	(20)	(95)	(197)	(349)
Additions	—	24	—	3,850	6,886	10,760
Disposals	—	—	(5)	(1,301)	—	(1,306)
Reclassification	(21)	454	—	80	(513)	—
At end of year	257	1,182	2,283	7,104	12,827	23,653
Accumulated depreciation :						
At beginning of year	—	40	80	1,201	—	1,321
Foreign exchange adjustments	—	(2)	—	(35)	—	(37)
Depreciation for the year	—	23	53	950	—	1,026
Disposals	—	—	—	(204)	—	(204)
Reclassification	—	1	—	(1)	—	—
At end of year	—	62	133	1,911	—	2,106
Depreciation for last year	—	15	53	637	—	705
Net book value :						
At beginning of year	288	691	2,228	3,369	6,651	13,227
At the end of year	257	1,120	2,150	5,193	12,827	21,547

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

During the year, borrowing costs capitalised as part of building under construction amounted to \$98,000. (2003 : Nil) The rate of interest per year used during the year was 3.67%. (2003 : Nil)

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

11 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The group owns the following properties :

<u>Location</u>	<u>Description and tenure</u>	<u>Gross land area (sqm)</u>	<u>Gross built-in area (sqm)</u>	<u>Use of property</u>
41 Loyang Drive, Singapore 508952 (a)	JTC standard terrace/detached factory 30-years lease with effect from 1 April 2002	2,320	1,010	Office, factory and warehouse
No. 20 Lorong Pala 4, Kawasan Industri Ringgan Permatang Tinggi, 14000 Bukit Mertajam, Pulau Pinang, Malaysia (Lot No. 7808, Mukim 14, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia (b)	Freehold 1½ storey semi-detached light industrial factory	622	290	Factory
Lot No.PT16724, H.S(D)1100898, Arab Malaysia Industrial Park, Nilai Mukim of Setul, Daerah Seremban, Negeri Sembilan Darul Khusus, Malaysia (c)	Freehold land	4,572	1,512	Office, factory and warehouse
Songkai No.III-32, Songjiang Development Zone, Shanghai, The People's Republic of China	50 years leasehold land with effect from 30 April 2002	6,960	3,391	Office, factory and warehouse

Notes:

- (a) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco Engineering Pte Ltd (note 13).
- (b) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco Industrial Water Systems Sdn. Bhd. (note 13).
- (c) Mortgaged to a bank to secure banking facilities granted to a subsidiary, Darco System (M) Sdn. Bhd. (note 13).

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

12 GOODWILL

	Group \$'000
Cost:	
At beginning and end of year	1,144
Accumulated amortisation:	
At beginning of year	74
Amortisation for the year	335
At end of year	409
Amortisation for last year	71
Net book value:	
At beginning of year	1,070
At end of year	735

13 SHORT-TERM BORROWINGS

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revolving loan facility (secured)	7,376	—	7,376	—
Bank overdraft (secured)	—	450	—	—
Bank loans (secured)	53	—	—	—
Bills payable to banks (secured)	—	2,175	—	2,123
Total short-term borrowings	7,429	2,625	7,376	2,123

Analysis of above amount by currencies:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
US Dollars	7,376	2,123	7,376	2,123
Singapore Dollars	—	415	—	—
New Taiwan Dollars	—	87	—	—
Malaysian Ringgit	53	—	—	—
Total short-term borrowings	7,429	2,625	7,376	2,123

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

13 SHORT-TERM BORROWINGS (Cont'd)

Revolving loan facility of \$7,376,000 bears interest at rates ranging from 3.11% to 4.13% per annum and are secured by corporate guarantee from certain company's subsidiaries and compliance to certain financial covenants.

In financial year 2004, bank loan of \$53,000 bear interest at rates ranging from 4.93% to 5.13% per annum and were secured by way of the pledge of certain fixed deposits of subsidiaries (Note 5).

In financial year 2003, bills payable of \$2,123,000 were covered by an assignment of credit insurance policy and a negative pledge on the group's assets and trade receivables.

In financial year 2003, bank overdrafts and bills payable of \$2,625,000 bear interest at rates ranging from 3.25% to 6.125% per annum and were secured by way of :-

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

14 TRADE PAYABLES AND ACCRUED LIABILITIES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Outside parties	4,102	6,067	3	—
Accrued directors' fees	55	55	55	55
Accrued liabilities	590	572	184	43
	<u>4,747</u>	<u>6,694</u>	<u>242</u>	<u>98</u>

Analysis of above amount by currencies:

Singapore Dollars	2,092	635	242	98
New Taiwan Dollars	1,288	1,154	—	—
Malaysian Ringgit	1,012	1,139	—	—
Philippines Pesos	168	35	—	—
Chinese Renminbi	153	267	—	—
Indonesia Rupiah	32	24	—	—
Hong Kong Dollars	2	—	—	—
US Dollars	—	3,342	—	—
Japanese Yen	—	98	—	—
	<u>4,747</u>	<u>6,694</u>	<u>242</u>	<u>98</u>

The general credit period granted to the group to settle payables ranged from 60 to 90 (2003 : 60 to 90) days.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

15 OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Director (Note 4)	500	—	500	—
Related party (Note 4)	2,430	—	2,430	—
Subsidiaries (Notes 3 and 10)	—	—	208	208
Sundry payables	1,449	595	—	—
	<u>4,379</u>	<u>595</u>	<u>3,138</u>	<u>208</u>

Analysis of above amount by currencies:

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Singapore Dollars	3,164	150	3,138	208
New Taiwan Dollars	964	445	—	—
Chinese Renminbi	119	—	—	—
Malaysian Ringgit	86	—	—	—
Philippines Pesos	30	—	—	—
Indonesia Rupiah	16	—	—	—
	<u>4,379</u>	<u>595</u>	<u>3,138</u>	<u>208</u>

16 LONG-TERM BORROWINGS

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Term loan I	—	833	—	—
Term loan II	—	54	—	—
Term loan III	—	255	—	—
Term loan IV	7,785	—	7,785	—
Bill payable	830	—	—	—
	<u>8,615</u>	<u>1,142</u>	<u>7,785</u>	<u>—</u>
Total long-term borrowings	8,615	1,142	7,785	—
Total current portion	(2,144)	(181)	(1,639)	—
	<u>6,471</u>	<u>961</u>	<u>6,146</u>	<u>—</u>
Non-current portion	6,471	961	6,146	—

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

16 LONG-TERM BORROWINGS (Cont'd)

The non-current portion is repayable as follows :

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Due within 2 to 5 years	6,471	628	6,146	—
Due after 5 years	—	333	—	—
Total non-current portion	<u>6,471</u>	<u>961</u>	<u>6,146</u>	<u>—</u>

Analysis of above amount by currencies :

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
United States Dollars	7,785	—	7,785	—
New Taiwan Dollars	830	—	—	—
Singapore Dollars	—	834	—	—
Malaysian Ringgit	—	308	—	—
	<u>8,615</u>	<u>1,142</u>	<u>7,785</u>	<u>—</u>

Term loan I

The loan is secured by a legal mortgage over the group's leasehold properties (Note 11) and joint and several guarantees by the directors of the company. In financial year 2003, the interest rate was 5% per annum. The loan was fully repaid during the year.

Term loan II

In financial year 2003, the loan bears interest 8.4% per annum and was secured in the same manner as the bank overdrafts and bills payables as disclosed in Note 13 to the financial statements. The loan was fully repaid during the year.

Term loan III

In financial year 2003, the loan bears interest at 5.0% per annum and was secured in the same manner as the bank overdrafts and bills payables as disclosed in Note 13 to the financial statements. The loan was fully repaid during the year.

Term loan IV

The loan bears interest at rates ranging from 2.61% to 3.50% per annum and is secured in the same manner as the revolving loan facility as disclosed in Note 13. The loan is repayable by 10 equal quarterly instalments of \$409,750 (US\$ 250,000) with effect from 1 October 2004 and 5 equal quarterly instalments of \$819,500 (US\$ 500,000) commencing from 1 April 2007.

The long term bills payable of \$325,000 bear interest at rates 10.8% per annum and is secured by way of the pledge of certain fixed deposits of a subsidiary (Note 5). The loan is repayable by 12 equal monthly instalments of \$40,690 (NTD\$ 805,000) with effect from 26 December 2004 and 12 equal monthly instalments of \$29,830 (NTD\$ 590,000) commencing from 1 January 2006.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

17 OBLIGATIONS UNDER FINANCE LEASES

Group

<u>2004</u>	<u>Minimum payments</u> \$'000	<u>Finance charges</u> \$'000	<u>Present value</u> \$'000
Minimum lease payments payable:			
Due within one year	22	(1)	21
Due within 2 to 5 years	—	—	—
	<u>22</u>	<u>(1)</u>	<u>21</u>
Net book value of plant and equipment under finance leases			<u>54</u>
 <u>2003</u>	 <u>Minimum payments</u> \$'000	 <u>Finance charges</u> \$'000	 <u>Present value</u> \$'000
Minimum lease payments payable:			
Due within one year	28	(2)	26
Due within 2 to 5 years	23	(2)	21
	<u>51</u>	<u>(4)</u>	<u>47</u>
Net book value of plant and equipment under finance leases			<u>64</u>

It is a group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years. The rates of interest for finance leases is about 3.5% (2003 : 3.5%) per year. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in S\$. The fair value of the lease obligations approximates to their carrying amount. The obligations under finance leases are secured by the lessor's charge over the group's leased assets.

18 SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Authorised:		
300,000,000 ordinary shares of \$0.05 each	<u>15,000</u>	<u>15,000</u>
Issued and fully paid:		
181,189,517 ordinary shares of \$0.05 each	<u>9,060</u>	<u>9,060</u>

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

19 REVENUE

	Group	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Amount recognised from long-term contracts	36,041	20,829
Rendering of services	12,911	11,663
Sales of goods	1,666	1,631
	<hr/>	<hr/>
	50,618	34,123
	<hr/>	<hr/>

20 OTHER OPERATING INCOME

	Group	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Interest income from non-related companies	36	26
Miscellaneous income	46	48
	<hr/>	<hr/>
	82	74
	<hr/>	<hr/>

21 OTHER CREDITS/(CHARGES)

	Group	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Provision for impairment of trade receivables	(1,258)	—
Amortisation of goodwill	(335)	(71)
Loss on disposal of plant and equipment	(29)	(14)
Pre-operating expenses written off	(36)	(19)
Misappropriation of funds by a subsidiary's employee	—	(319)
Foreign exchange adjustment gain/(loss)	225	(157)
	<hr/>	<hr/>
	(1,433)	(580)
	<hr/>	<hr/>

22 FINANCE COSTS

	Group	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Interest expense on bank borrowings	414	243
Interest expense on finance lease	1	2
	<hr/>	<hr/>
	415	245
	<hr/>	<hr/>

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

23 PROFIT BEFORE INCOME TAX

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

	<u>2004</u> \$'000	<u>Group</u> <u>2003</u> \$'000
Auditors' remuneration— company's auditors	62	43
– other auditors	83	47
Other fees to company's auditors	4	9
Directors' remuneration— directors of the company	212	330
– directors of the subsidiaries	398	377
Changes in inventories	(649)	(176)
Raw materials and consumables used	34,149	10,066
	<hr/>	<hr/>

24 INCOME TAX EXPENSES

	<u>2004</u> \$'000	<u>Group</u> <u>2003</u> \$'000
Current	867	446
Deferred	41	66
	<hr/>	<hr/>
	908	512
	<hr/>	<hr/>

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2003: 22%) to profit before income tax as a result of the following differences:

	<u>2004</u> \$'000	<u>Group</u> <u>2003</u> \$'000
Income tax expense at statutory rate	592	641
Non-allowable items	92	89
Underprovision in prior years	34	34
Differential in tax rate of foreign subsidiaries	996	—
Tax exemptions	(525)	(370)
Pioneer income waived from foreign subsidiaries	(539)	(80)
Deferred tax assets valuation allowance	84	—
Other items less than 3% each	174	198
	<hr/>	<hr/>
Total income tax expense	908	512
	<hr/>	<hr/>

In 2004, the government enacted a change in the national income tax rate from 22.0% to 20%.

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

24 INCOME TAX EXPENSES (Cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
The net deferred tax amount in the balance sheet is as follows:				
Deferred tax liabilities:				
Excess of net book value of property, plant and equipment	115	140	—	—
Total deferred tax liabilities	115	140	—	—
Deferred tax assets:				
Foreign exchange adjustments	—	19	—	—
Unabsorbed wear and tear allowances	7	13	—	—
Tax losses carryforwards	95	11	—	—
	102	43	—	—
Deferred tax assets valuation allowance	(102)	(18)	—	—
Total deferred tax assets	—	25	—	—
Net total deferred tax liabilities	115	115	—	—

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

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

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

25 STAFF COSTS

	<u>Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Staff costs including executive directors	4,571	5,025
Contribution to defined contribution plans	964	510
Total staff costs	5,535	5,535

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

26 NUMBER OF EMPLOYEES

	<u>2004</u> \$'000	<u>Group</u> <u>2003</u> \$'000
Number of employees including executive directors	346	317

27 CASH IN THE CONSOLIDATED CASH FLOW STATEMENT

	<u>2004</u> \$'000	<u>Group</u> <u>2003</u> \$'000
Cash and cash equivalents	11,196	5,930
Bank overdraft (secured)	—	(450)
	11,196	5,480
Fixed deposits pledge with bank	(1,577)	(123)
	9,619	5,357

NON-CASH TRANSACTIONS -

In 2003, additions to plant and equipment during the year amounting to \$19,000 were financed by finance leases.

In 2003, the minority shareholders of the subsidiary increased its share capital by contributing land amounting \$1,815,000 (or RMB8,853,000).

28 ACQUISITIONS OF SUBSIDIARIES

Summary of effect of acquisitions of subsidiary, PV Vacuum Engineering Pte Ltd on 25 March 2003 :-

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

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

28 ACQUISITIONS OF SUBSIDIARIES (Cont'd)

Group
2003
\$'000

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

Revenue	2,410
Profit before income tax	433

29 EARNINGS PER SHARE

The earnings per share is calculated by dividing the group's profit attributable to shareholders of \$1,813,000 (2003: \$2,345,000) by the weighted average number of 181,189,517 (2003: 173,689,517) ordinary shares of \$0.05 each in issue during the year.

30 OPERATING LEASE COMMITMENTS

	Group	
	2004 \$'000	2003 \$'000
Within 1 year	480	465
Within 2 to 5 years	1,231	1,647
After 5 years	1,042	883
	<u>2,753</u>	<u>2,995</u>
Rental for the year	<u>411</u>	<u>227</u>

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

31 CONTINGENT LIABILITIES

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Letters of credit	—	741	—	741
Bank guarantees in favour of subsidiaries	8,405	6,909	8,405	6,909
	<u>8,405</u>	<u>7,650</u>	<u>8,405</u>	<u>7,650</u>

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

32 CAPITAL EXPENDITURE COMMITMENTS

	2004 \$'000	Group 2003 \$'000
Estimated amounts committed for future capital expenditure but not provided for in the financial statements (a),(b),(c)	934	11,543
Approved but not yet contracted for (d)	4,100	4,260
	<u>5,034</u>	<u>15,803</u>

- a) Deqing Huanzhong Producing Water Co., Ltd (“Deqing”), which is held by the group through Darco Environmental Pte Ltd and Globe Industrial Technology Company Ltd (“Globe”), entered into a contract in 2002 with a third party for the construction of a BOT (Build-Operate-and-Transfer) water treatment project in Deqing County, Zhejiang Province, the People’s Republic of China. To finance the operation of Deqing, Globe committed to contribute \$13,374,000 (or US\$7,894,000) to the capital of Deqing. As at 31 December 2004, the company’s investment in Deqing amounted to \$12,440,000 (or US\$7,590,000). The remaining amount of \$934,000 (or US\$304,000) has been fully paid up in 2005.
- (b) In 2003, the company committed to increase the share capital of Darco Engineering (Taiwan) Inc to \$3,710,000 (or NT\$75,000,000) by contributing additional share capital of \$2,424,000 (or NT\$49,000,000) by December 2004. The amount has been fully contributed during the year.
- (c) In 2003, the group has a building which has yet to be completed. The estimated cost to completion is \$436,250 (or US\$250,000). The building has been fully completed during the year. (see Note 11)
- (d) As disclosed in Note 7 to the financial statement, the group, is committed to acquire 10% interest in PT Air Bintan Biru for a consideration of \$5,100,000. As at 31 December 2004, a refundable deposit of \$820,000 (2003: \$862,000) has been paid with the remaining \$4,100,000 (2003: \$4,260,000) payable upon fulfilment of certain conditions set out in the sale and purchase agreement.

33 FINANCIAL INFORMATION BY SEGMENTS

Segment reporting policy

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

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

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

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

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

33 FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

Business segments

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

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

<u>Group</u>	<u>EW Systems</u>		<u>WM Services</u>		<u>Trading</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE								
External sales	36,041	20,829	12,911	11,663	1,666	1,631	50,618	34,123
RESULTS								
Segment results	1,081	1,341	1,499	1,451	389	120	2,969	2,912
Income tax expenses							(908)	(512)
Profit after income tax							2,061	2,400
Capital expenditure	7,661	5,507	2,745	3,083	354	335	10,760	8,925
Depreciation and amortisation	969	474	347	265	45	37	1,361	776
BALANCE SHEET								
ASSETS								
Segment assets	27,569	19,169	2,048	2,041	928	853	30,545	22,063
Unallocated corporate assets							33,312	21,746
Consolidated total assets							63,857	43,809
LIABILITIES								
Segment liabilities	13,522	7,870	319	348	500	499	14,341	8,717
Unallocated corporate liabilities							15,278	2,617
Consolidated total liabilities							29,619	11,334

— NOTES TO FINANCIAL STATEMENTS —

31 December 2004

33 FINANCIAL INFORMATION BY SEGMENTS (Cont'd)

Geographical segments

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

Group	<u>Singapore</u>		<u>Malaysia</u>		<u>China</u>		<u>Taiwan</u>		<u>Others</u>		<u>Consolidated</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
REVENUE												
External sales	4,586	4,674	15,653	10,675	7,483	8,070	20,156	9,774	2,740	930	50,618	34,123
OTHER INFORMATION												
Segment assets	8,140	7,339	12,153	13,721	19,180	10,505	21,686	11,414	2,698	830	63,857	43,809
Capital expenditure	27	92	233	410	7,183	7,861	1,734	547	1,584	15	10,761	8,925

34 SUBSEQUENT EVENT

On 7 January 2005, the company acquired 100,000 ordinary shares of S\$1.00 in PV Vacuum Engineering Pte Ltd (PV Vacuum), representing 40% of its issued and paid up capital. PV Vacuum became a wholly owned subsidiary of the company upon the acquisition.

Total consideration for the acquisition is S\$1,059,663, which will be satisfied by the company by the allotment and issue of 3,267,295 new ordinary shares of S\$0.05 each to the vendors with an average value per share of S\$0.32.

The issue has no significant effect on the earning per share.

— STATISTICS OF SHAREHOLDINGS —

As at 14 March 2005

Authorised Share Capital	—	S\$15,000,000
Issued & fully paid-up capital	—	S\$9,222,840.60
Class of Equity Security	—	Ordinary shares of \$0.05 each
Voting Rights of Ordinary Shareholders	—	On show of hands : 1 vote for each member On a poll : 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	8	0.36	957	0.00
1,000 – 10,000	1,494	67.15	8,076,000	4.38
10,001 – 1,000,000	697	31.32	26,135,851	14.17
1,000,001 and above	26	1.17	150,244,004	81.45
Total:	2,225	100.00	184,456,812	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information provided to the Company as at 14 March 2005, approximately 39.47% 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. Thye Kim Meng	32,295,711	17.51
2. Lim & Tan Securities Pte Ltd	29,145,000	15.80
3. Mayban Nominees (S) Pte Ltd	15,768,000	8.55
4. Hong Leong Finance Nominees Pte Ltd	9,122,000	4.95
5. HL Bank Nominees (S) Pte Ltd	9,115,000	4.94
6. Lee Sue Lin	7,594,800	4.12
7. Teh Swee Heng	5,844,820	3.17
8. Thye Kim Fah	5,312,140	2.88
9. Waterworth Pte Ltd	5,239,000	2.84
10. Ecco Engineering Company Ltd	3,333,333	1.81
11. Khoo Kah Leong	3,250,925	1.76
12. Citibank Nominees Singapore Pte Ltd	2,943,000	1.60
13. United Overseas Bank Nominees Pte Ltd	2,837,000	1.54
14. Thye Kim Loy	2,104,840	1.14
15. Khoo Kah Hoe	2,067,925	1.12
16. Citibank Consumer Nominees Pte Ltd	1,880,000	1.02
17. OCBC Securities Private Ltd	1,591,000	0.86
18. Huang Tung-Ho	1,580,000	0.86
19. Heng Tang Ching	1,347,948	0.73
20. Alan Wee Kuang (Alan Ruan Guang)	1,337,826	0.73
TOTAL	143,710,268	77.93

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Number of Ordinary Shares of \$0.05 each fully paid (as at 14 March 2005)			
	Direct Interest	Deemed Interest	Total	%
Thye Kim Meng	32,295,711	31,500,000	63,795,711	34.59
Lim & Tan Securities Pte Ltd	25,529,000	N.A.	25,529,000	13.84

— NOTICE OF ANNUAL GENERAL MEETING —

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held at 18 Cross Street, 8th Floor Marsh & McLennan Centre, Singapore 048423 on Tuesday, 26 April 2005 at 3:00 p.m. to transact the following businesses:

ORDINARY BUSINESS:

- | | | |
|----|--|--------------|
| 1. | To receive and consider the Directors' Report and Audited Accounts for the year ended 31 December 2004 and the Auditors' Report thereon. | Resolution 1 |
| 2. | To approve the payment of Directors' fees of S\$55,000 for the year ended 31 December 2004. | Resolution 2 |
| 3. | To re-elect the following Directors, each of whom will retire by rotation pursuant to the Articles of Association of the Company and who, being eligible, will offer themselves for re-election: | |
| | (a) Mr Teh Swee Heng (under Article 107) | Resolution 3 |
| | (b) Mr Lee Sue Lin (under Article 107) | Resolution 4 |
| 4. | To re-appoint Messrs Chio Lim & Associates as Auditors and to authorise the Directors to fix their remuneration. | Resolution 5 |

SPECIAL BUSINESS :

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

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

— NOTICE OF ANNUAL GENERAL MEETING —

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

Explanatory Notes:

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

BY ORDER OF THE BOARD

Low Mei Mei Maureen
Company Secretary
Singapore: 7 April 2005

Proxies :

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

— PROXY FORM —

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C
(Incorporated in Singapore)

IMPORTANT

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

I/We _____

of _____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 18 Cross Street, 8th Floor Marsh & McLennan Centre, Singapore 048423 on Tuesday, 26 April 2005 at 3:00 p.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive and consider Directors and Auditors' Reports and Audited Accounts		
2.	To approve payment of Directors' fees		
3.	To re-elect Director – Mr Teh Swee Heng		
4.	To re-elect Director – Mr Lee Sue Lin		
5.	To re-appoint Messrs Chio Lim & Associates as Auditors and authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
6.	To authorise Directors to allot and issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50		

Dated this _____ day of _____ 2005

Total number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

— PROXY FORM —

NOTES :

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