



DARCO WATER TECHNOLOGIES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200106732C)

**ANNUAL GENERAL MEETING (“AGM”) TO BE HELD ON 28 APRIL 2021
RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS**

Darco Water Technologies Limited (“Darco” or the “Company”) refers to its announcement of 13 April 2021 on the alternative arrangements for the AGM and, in particular, to the invitation to shareholders to submit questions in advance of the AGM. The Company would like to thank shareholders for the questions submitted. The Company’s response to the questions received from the shareholders are set out below. The questions which are similar in nature and pertain to the same subject matter are grouped together for ease of reference and paraphrased for clarity:

- 1. What are the current business challenges faced by the Company in steering towards a long term growth - challenges excluding those resulting from COVID-19 pandemic situation since the Company has not been performing prior to the occurrence of the COVID-19 pandemic? It would be good if the CEO is able to provide some insights into both structural as well as technological challenges.**

Response:

The Company’s engineering subsidiaries (together with the Company, the “Group”) in South East Asia have traditionally relied largely on market demand and growth in the semiconductor industry and electronics industry. The performance of these industries tends to be cyclical in nature, resulting in lumpy revenue year-on-year in terms of engineering contracts.

As such, the Company has always intended to strengthen the water and waste infrastructure ownership business segment of the Group in order to generate recurring income. In this regard, there has always been and still remains the challenge of raising adequate funds, and to the challenge of de-risking the concession/ BOT projects.

In terms of technology, the challenge faced by the Group has and continues to be its ability to obtain and apply improved technological solutions, while keeping the prices affordable and competitive for the clients.

2. **Am I right to say that the only reason the Company posted a net income is because of the COVID-19 grants that the Singapore Government had issued to companies in Singapore?**

Response:

It would be inaccurate to attribute the Company's net income wholly to the receipt of COVID-19 grants from the Singapore Government. Without the COVID-19 related government grants, the Company would still have posted a net income for Financial Year ended 31 December 2020.

3. **What is the strategic plan for the business? In 2019, the CEO held a meeting to share the Company's strategic plan with the shareholders. It would be good if the CEO could indicate whether that plan remains valid and whether the Company is on track to achieving it?**

Response:

The general direction for the Group remains unchanged, in that the Group will continue to pursue and execute engineering projects, as well as operations and maintenance services, while trying to establish and grow an investment portfolio, subject always to availability of funds.

The change, notably, from discussions during the Shareholder Forum held on 17 December 2019 would be that the Company is no longer pursuing the waste-to-energy Nambo Project in West Java. The developments and reasons for withdrawing from that project had been extensively dealt with in the Company's various announcements dated 25 October 2019, 4 November 2019, 28 February 2020, 29 May 2020, 8 June 2020, 25 June 2020, 24 July 2020, 27 July 2020, 26 November 2020, 22 December 2020, and 29 January 2021.

4. **As regard the Company's subsidiary in Wuhan, is the Company planning to dispose of it since this subsidiary seems to be a business that is draining both the resources and funding of the Group.**

Response:

Wuhan Kaidi's revenue has increased from S\$30 million in FY 2019, to S\$40.7 million in FY 2020. It reported a loss of S\$9 million in FY2019, and turned around to report a profit of S\$1.2 million in FY 2020 without substantial support from the Company as its holding company. Hence, with reference to its FY 2020 performance, it does not appear to be a



business that is draining both resources and funding of the Group. Nevertheless, the Group will continue to monitor its performance closely, while strengthening its corporate governance and internal controls. As announced on 8 February 2021, the Group has nominated and appointed key management personnel from Singapore, i.e. the Group CEO, COO and Financial Controller, to sit on the Board of Directors of Wuhan Kaidi in order to strengthen the Company's general oversight over Wuhan Kaidi.

BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

24 April 2021