



SOLUTIONS TO WATER & WASTE
DARCO WATER TECHNOLOGIES LIMITED
(Incorporated in Singapore)
(Registration No. 200106732C)

**RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S
QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2018**

The Board of Directors ("**Directors**") of Darco Water Technologies Limited ("**Company**") and together with its subsidiaries, collectively, "**Group**") refers to the Company's Annual Report for the financial year ended 31 December 2018 ("**Annual Report 2018**") released on the SGXNET 9 April 2019. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 17 April 2019 (each, an "**SGX Query**") as follows:

SGX Query 1:

With reference to the audited consolidated statement of cash flows on pages 76 and 77 of the Company's Annual Report 2018, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2018 ("**Preliminary Unaudited Results 2018**"):-

- (i) The net cash used in operating activities of approximately \$(6,926,000) as compared to the amount of \$(6,008,000); and
- (ii) The net cash used in investing activities of approximately \$(361,000) as compared to the amount of \$(879,000).

Company's response to SGX Query 1:

The details and explanation of the material variances between the audited financial statements and the Preliminary Unaudited Results 2018 are shown below:

	Audited financial statements 2018 (S\$'000)	Preliminary Unaudited Results 2018 (S\$'000)	Variance (S\$'000)	Note
Net cash used in operating activities	(6,926)	(6,008)	(918)	A
Net cash used in investing activities	(361)	(879)	518	B
Net cash from financing activities	14,766	14,868	(102)	N.M

Explanation of material variances:

Notes:

As a result of the changes to the Consolidated Statements of Financial Position and Consolidated Statement of Comprehensive Income, correspondence changes have been made to the Consolidated Statement of Cash Flows.

(A): The changes in the net cash used in operating activities is mainly due to: -

	Net cash used in operating activities (S\$'000)
Balance as per Preliminary Unaudited Results 2018	(6,008)
Reclassification of deposit paid from property, plant and equipment to trade and other receivables, as the Group does not have the legal and beneficial ownership of the asset as of balance sheet date	(346)
Reclassification of inventories from property, plant and equipment to inventories	(41)
Increase in income tax paid	(129)
Increase in the pledged fixed deposits and bank balances	(50)
Repayment of borrowing to director and related party, which was classified as other payable in preliminary unaudited results	90
Foreign exchange differences previously classified under effect on cash and cash equivalents, now reclassified to operating activities	(459)
Others	17
Balance as per audited financial statements	<u>(6,926)</u>

(B): The changes in the net cash used in investing activities is mainly due to: -

	Net cash used in investing activities (S\$'000)
Balance as per Preliminary Unaudited Results 2018	(879)
Reclassification of deposit paid from property, plant and equipment to trade and other receivables, as the Group does not have the legal and beneficial ownership of the asset as of balance sheet date	346
Reclassification of inventories from property, plant and equipment to inventories	41
Changes in other receivables previously classified under investing activities, now reclassified to operating activities	124
Others	7
Balance as per audited financial statements	<u>(361)</u>

SGX Query 2:

Paragraph 9.3 of the Code of Corporate Governance 2012 (the “Code”) states that the company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. Companies need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.

In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).

As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.

As required under Listing Rule 1207(12) of the Listing Manual, please make disclosure as recommended in the Code or otherwise disclose and explain any deviation from the recommendation.

Company’s response to Query 2:

The Company noted that the Code recommends to disclose the remuneration of at least the top five key management personnel in bands of S\$250,000. However, the Company has only identified three (3) key management personnel (who are not Directors or the CEO) of the Company as disclosed in the Company’s Annual Report 2018 on page 31 together with the aggregate total remuneration paid to the three (3) key management personnel.

The Company noted on the recommendation by the Code to fully disclose the remuneration to the key management personnel, and as disclosed in page 32 of the Annual Report 2018. In view that the remuneration to the key management personnel is confidential and commercially sensitive and such disclosure would be prejudicial to the Company’s interest given the highly competitive environment, the Board is of the opinion that it is in the best interests of the Group to not disclose the exact remuneration of each individual Director, CEO, and the top three (3) key management personnel (who are not Directors nor CEO) in the Annual Report 2018. The Board is of the opinion that the information disclosed in the Annual Report strikes an appropriate balance between detailed disclosure and confidentiality.

By Order of the Board

Thye Kim Meng
Managing Director and Chief Executive Officer
22 April 2019