



RISING STRENGTH

ADVANCING WATER
& ENVIRONMENTAL
SOLUTIONS

ANNUAL REPORT 2025



Established in 1999, Darco Water Technologies Limited specialises in the design, fabrication, assembly, installation and commissioning of engineered water purification, wastewater treatment and vacuum systems for solid waste management

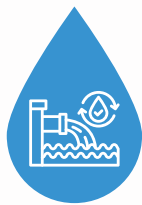


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CORPORATE PROFILE



Darco Water Technologies Limited ("**Darco**" and with its subsidiaries "**the Group**") was founded in 1999 and listed on the Singapore Exchange in 2002. It is a provider of integrated engineering and knowledge-based water and wastewater treatment solutions, as well as vacuum systems for industrial applications and solid waste management. The Group has a well-established presence in China, Malaysia, Singapore, and Vietnam, with a track record of projects delivered on time, on budget, and with high quality.

The Group's business activities primarily consist of Engineering, Procurement, and Construction ("**EPC**") projects, post-EPC maintenance services, the trading of essential chemicals and products, and offering of crucial maintenance support services. Darco's scope of work includes design, fabrication, assembly, installation, and commissioning, as well as Build, Own, Operate ("**BOO**") projects.

The Group utilises advanced technology alongside the extensive experience and in-depth knowledge of its team to provide water systems at the minimum cost per unit of water delivered. By maximising the efficiency of design and control systems to optimise energy consumption, maximise pump output, and reduce the manpower required for plant operation, the Group offers cutting-edge solutions for water and waste management systems. Additionally, the Group explores opportunities to create recurring income through investments in environmental infrastructure.

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Darco Water Technologies Limited (“**Darco**”, the “**Company**”, and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2025 (“**FY2025**”).

FY2025 was a year of transition for the Group as we navigated a more competitive operating environment across several of our key markets. Despite pricing pressures, project delays and higher cost conditions, Darco remained committed to disciplined execution while advancing key strategic initiatives that support the Group’s long-term growth in water and environmental infrastructure.

For FY2025, the Group recorded revenue of \$51.4 million compared with \$59.1 million in FY2024, reflecting delays in project execution and a more competitive tender environment.

Despite these headwinds, the Group continued to grow its recurring Operation and Maintenance Services (“**O&M Services**”) segment and maintained financial discipline through prudent capital and working capital management.

Revenue from our Engineering Projects (“**Projects**”) segment decreased from \$44.4 million in FY2024 to \$36.2 million in FY2025. This was mainly due to delays by main contractors and a lower number of projects secured in Malaysia amidst intense competition.

Revenue from our O&M Services segment increased from \$14.8 million in FY2024 to \$15.2 million in FY2025. The increase was primarily due to higher sales contributed by the Group’s Malaysia subsidiaries.

The Group’s gross profit margin moderated from 20.1% in FY2024 to 12.3% in FY2025 due to intense competition and cost inflation in the Group’s Malaysia and China operations.

Despite the more challenging operating environment, the Group’s cash position strengthened to \$9.8 million as at 31 December 2025, compared to \$8.0 million as at 31 December 2024.

Cash generated from operating activities in FY2025 was supported by disciplined working capital management and higher customer advance payments on ongoing projects. The Group also recorded net cash generated from investing activities of approximately \$0.3 million in FY2025, mainly attributable to proceeds from the disposal of a vacant factory in Malaysia.

As a result, the Group recorded a net increase in cash and cash equivalents of \$1.2 million for FY2025, compared to a decrease of \$3.9 million in FY2024.

OPERATIONAL AND STRATEGIC HIGHLIGHTS

In line with its capital optimisation strategy, the Group entered into agreements for the disposal of selected non-core property assets in Malaysia through its wholly-owned subsidiary, Darco Water Systems Sdn. Bhd. The disposal of vacant assets during FY2025 enhanced capital efficiency and enabled the Group to redeploy resources towards its core business segments.

In Vietnam, the Group continued to operate the Ba Lai water treatment and supply project through its subsidiary, Darco Ba Lai Water Supply Company Limited. The project remains a strategically important long-term concession asset, supplying treated water to communities in Ben Tre Province under a 50-year concession framework.

In December 2025, the Group announced the proposed acquisition of the remaining 49% equity interest in Darco InfraCo Vietnam Water Pte. Ltd., which holds the Vietnam water concession. The proposed acquisition was approved by shareholders at the Extraordinary General Meeting held on 27 February 2026. Upon completion of the transaction, the Group will hold 100% equity interest in the concession vehicle, strengthening the Group’s long-term strategic control over this key concession asset.

During the year, a subsidiary of the Group successfully recovered approximately RMB11.1 million (approximately \$1.98 million) from a historical project-related claim in China that had previously been fully impaired. The recovery reflects the Group’s continued efforts in protecting its contractual and financial interests.

MESSAGE TO SHAREHOLDERS

RISING STRENGTH. ADVANCING WATER & ENVIRONMENTAL SOLUTIONS.

In Singapore, demand for automated and sustainable waste management systems remains supported by national development priorities. According to the Ministry of Trade and Industry (“**MTI**”), the construction sector expanded by 5.2% in 2025. The Building and Construction Authority (“**BCA**”) projects construction demand to remain steady at \$47 billion to \$53 billion in 2026, following preliminary demand of \$50.5 billion in 2025.

Against this backdrop, the Group will continue to pursue opportunities for its District Pneumatic Waste Conveyance System (“**PWCS**”) solutions while focusing on the efficient execution of its existing project portfolio.

PWCS represents an automated centralised waste collection system which supports sustainable urban living by improving waste management efficiency and creating a cleaner environment for communities. These systems demonstrate how engineered environmental solutions can contribute towards more sustainable and liveable cities.

The Group remains confident in the long-term outlook for the water and waste solutions industry and will continue to leverage on its established brand and proven project track record to explore new opportunities. Population growth, urbanisation, industrialisation and increasing environmental awareness continue to drive demand for smart water and waste management solutions.

As we continue **advancing water and environmental solutions**, the Group remains committed to strengthening its operational capabilities, maintaining financial discipline and pursuing sustainable growth opportunities while continuing to deliver long-term value for shareholders.

ESG AND SUSTAINABILITY

Access to safe, affordable and reliable water and sanitation services remains fundamental to sustainable development. The Group’s activities continue to align with broader sustainability objectives and the United Nations Sustainable Development Goals.



MESSAGE TO SHAREHOLDERS

In Vietnam, the Ba Lai water treatment and supply project continues to provide treated water under a long-term concession framework, supporting the country's National Rural Clean Water Supply and Sanitation Strategy and contributing to national clean water supply objectives.

In Singapore, the Group's engineered water and environmental solutions support more sustainable urban infrastructure in line with national initiatives such as the Singapore Green Plan 2030 and the Zero Waste Masterplan.

The Group is also enhancing its sustainability and climate-related disclosures in line with evolving regulatory requirements, including upcoming SGX RegCo climate reporting standards. These efforts reflect our commitment to transparency and responsible operations.

GOVERNANCE AND BOARD DEVELOPMENTS

Following the retirement of Mr Wang Yingyang as Independent Non-Executive Director in April 2025, Mr Niu Liming was appointed as an Independent Non-Executive Director. The Board continues to uphold high standards of corporate governance while providing oversight and strategic guidance to the Group.

WORDS OF APPRECIATION

I would like to express my sincere appreciation to my fellow Directors for their guidance and oversight throughout FY2025. I also thank our management team and staff for their dedication and professionalism during a challenging year.

We warmly welcome Mr Niu Liming to the Board and look forward to the insights and experience he will bring. We also express our sincere appreciation to Mr Wang Yingyang for his dedicated service and valuable contributions during his tenure.

My gratitude also extends to our business partners, customers, lenders and shareholders for your continued trust and support. Together, we will continue to strengthen the Group's foundations and pursue sustainable, long-term value creation.

Mr. Wang Zhi

Executive Chairman and Executive Director



BOARD OF DIRECTORS



MR. WANG ZHI

Singapore Citizen,
Executive Chairman and Executive Director

Mr. Wang Zhi was appointed as the Executive Chairman and Executive Director of Darco Water Technologies Limited on 15 September 2022 and is a Member of the Company's Nominating Committee.

Mr. Wang is an expert in the water and wastewater treatment industry with more than 20 years of experience. Mr. Wang was the Chairman and Chief Executive Officer of Future Development Group Limited, Future International Investment Limited, and Future Holdings Group Limited from 2008 to 2022.

In 2006, Mr. Wang worked as the Group Senior Vice President and General Manager of China Business at Salcon Berhad, specializing in business development of water supply and wastewater treatment projects in China. Prior to that, Mr. Wang was with Salcon Limited, Singapore as the General Manager of Beijing Office.

Mr. Wang holds a Bachelor's Degree in Chemical Engineering from Nanchang Aeronautical University and completed the Manufacturing Management Training Course at the University of Southern California Business School.



DR. ZHANG ZHENPENG

Singapore PR,
Executive Director and Chief Executive Officer

Dr. Zhang Zhenpeng was appointed as the Executive Director and Chief Executive Officer of Darco Water Technologies Limited on 2 November 2022 and is the Chairman of the Company's Investment Committee.

Dr. Zhang has approximately 20 years of local and overseas experience in the environmental and renewable energy industries. Prior to joining Darco, Dr. Zhang was the Chief Executive Officer of Tianjin Ruiyuan Business Management Partnership Enterprise (LLP) in China since 2021.

In 2016, Dr. Zhang worked as the President Assistant at Beijing Enterprises Clean Energy Group, a company listed on the main board of The Stock Exchange of Hong Kong. In 2014, Dr. Zhang was the Managing Director of Beijing Enterprises Water Group International Pte Ltd in Singapore, responsible for overseas business development, project management, and asset operation. Prior to that, Dr. Zhang was with Beijing Enterprise Water Group, China as the Vice/General Manager of the Overseas Business Unit, exploring investment opportunities in the overseas water industry.

Dr. Zhang holds a Ph. D., in Environmental Engineering from Nanyang Technological University.



MR. SIM GUAN SENG

Singapore Citizen,
Lead Independent Director

Mr. Sim Guan Seng was appointed as the Lead Independent Director of Darco Water Technologies Limited on 6 July 2019. He was re-designated as the Independent Non-Executive Chairman from 13 July 2021 to 14 September 2022. He is currently the Chairman of the Audit Committee and a Member of the Nominating Committee and the Remuneration Committee.

Mr. Sim has over three decades of experience in accounting and audit-related fields. He started his career in 1983 at Arthur Andersen as an auditor, following which he joined GK Goh Stockbrokers (S) Pte Ltd as an operations manager in 1987. In 1992, he established a sole proprietorship to practice as a Public Accountant and merged his practice with Baker Tilly TFW in 2004. He was the Managing Partner of Baker Tilly TFW from 2010 to 2019 and retired as a partner of Baker Tilly TFW LLP in September 2022. Mr. Sim is currently the Managing Director of Valaston Assurance PAC.

Mr. Sim has a Bachelor of Accountancy from the National University of Singapore. He is also a practicing Member of the Institute of Singapore Chartered Accountants.

BOARD OF DIRECTORS



MR. LAI HOCK MENG

Singapore Citizen,
Independent Non-Executive Director

Mr. Lai Hock Meng was appointed as the Independent Non-Executive Director of Darco Water Technologies Limited on 18 July 2023. He is currently the Chairman of the Remuneration Committee and a Member of the Audit Committee and the Nominating Committee.

Mr. Lai has a distinguished career that spans over 40 years, beginning at the Monetary Authority of Singapore in 1980. His expertise covers a broad spectrum including regulatory agency treasury management, education, investment banking, asset management, corporate governance, M&As, corporate restructuring, and REITs.

Mr. Lai has significant experience in retail financial services, notably as Executive Director at Tat Lee Securities and Managing Director at Morgan Grenfell Asia & Partners Securities, where he developed a successful retail and institutional stockbroking business. Additionally, Mr. Lai served as a senior private banker at OCBC, later establishing his own corporate advisory firm. Throughout his career, Mr. Lai has contributed to over 25 Boards across Singapore, Hong Kong, Malaysia, and the UK, primarily in audit committee chairmanship roles, spanning various industries from power generation to electronics and real estate investment.

Leading his corporate advisory since 2007, Mr. Lai excelled in company turnarounds, shareholder dispute resolutions, regulatory compliance, debt restructuring, and post-disruption company rebuilds, showcasing his prowess in cross-cultural and cross-border environments.

Fluent in English, Chinese, and Bahasa Indonesia, Mr. Lai holds a B.A. (Hons) and MA in Economics from Cambridge University and is a CFA Charter Holder.



MR. NIU LIMING

Singapore Citizen,
Independent Non-Executive Director

Mr. Niu Liming was appointed as the Independent Non-Executive Director of Darco Water Technologies Limited on 29 April 2025. He is currently the Chairman of Nominating Committee and a Member of the Audit Committee and Remuneration Committee.

Mr. Niu is currently the Executive Director and CEO of Nutryfarm International Limited, a company listed on the SGX Mainboard, with principal businesses in AI data centre technology services, international trading of food and fresh produce, as well as the R&D, production, and sales of nutrition products. He is also a Director of Corpbond Investments Pte Ltd, an investment holding company providing M&A, corporate restructuring, and business consultancy services, with investments across the region.

Mr. Niu has over 20 years of management and investment experience, primarily in M&A, corporate restructuring, project financing, pre-IPO investments, private equity, technology transfer, and R&D-related fields.

Mr. Niu began his career in 1997 as a researcher with the China Earthquake Administration under the Central Government of China, and later obtained his Master's degree from the Chinese Academy of Sciences. After graduation, he joined the Institute for Infocomm Research (I2R) under A*STAR, relocating from Beijing to Singapore, where he gained extensive experience in R&D, technology, and engineering. In 2012, Mr. Niu founded his own business focusing on M&A, corporate restructuring, and business consultancy.

Mr. Niu holds MBA from Business School of University of Strathclyde UK, Master of Science from Chinese Academy of Sciences, and Bachelor of Science from Qingdao University.

KEY MANAGEMENT



MR. ZHAO YONG CHANG

Singapore Citizen,
Chief Operating Officer

Mr. Zhao Yong Chang continues to serve as the Chief Operating Officer and a Member of Investment Committee of Darco Water Technologies Limited. He was appointed as the Executive Director of the Company on 30 June 2021 and resigned as the Executive Director with effect from 31 December 2024.

Mr. Zhao is a veteran in the water and environmental business. During his 30 years of professional experience, he was involved in the proposal, design, construction, commissioning, and operation of various projects and plants. As Chief Operating Officer, Mr. Zhao is responsible for supervising the Group's operations in terms of project sales and execution. Mr. Zhao also takes the lead in the development of new investment projects for the Group. In addition, he assists the CEO in the formulation of the Group's policies.

Mr. Zhao holds a Bachelor's degree from Tsinghua University and a Master's degree from National University of Singapore. Mr. Zhao contributes to the steady growth of the Group by leveraging on his extensive networks in China, Singapore, and other ASEAN countries.



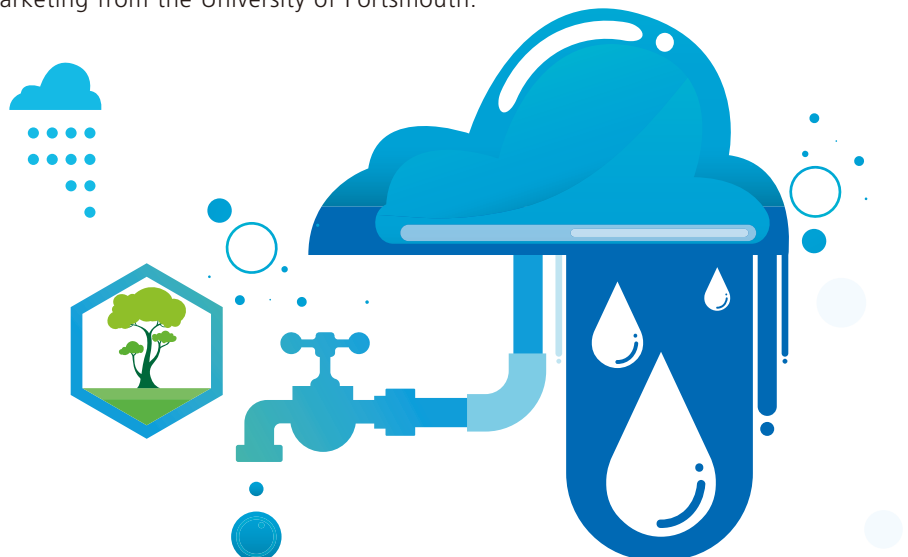
MR. PETER, TIAN YE

Singapore Citizen,
Senior Financial Controller

Mr. Peter, Tian Ye is the Senior Financial Controller and a Member of Investment Committee of Darco Water Technologies Limited. He is tasked with managing the financial, accounting, and risk management aspects of the Group's business. His experience spans nearly 20 years in the finance sector, where he has held finance roles in various organisations, including listed companies, as part of the management handling finance operations.

Mr. Peter started his career as an external auditor at RSM Chio Lim LLP in 2004. Prior to joining Darco, Mr. Peter was the Senior Finance Manager of China Construction (South Pacific) Development Pte Ltd managing the finance departments and a group of entities within the company.

Mr. Peter is a member of the Association of Certified Chartered Accountants (ACCA) and a Chartered Accountant of Singapore (CA Singapore). Mr. Peter holds a Bachelor's Degree in Business Administration and Marketing from the University of Portsmouth.



OPERATIONS AND FINANCIAL REVIEW

The Group operates through two principal business segments: Engineering Projects (“**Projects**”) and Operation and Maintenance Services (“**O&M Services**”). These segments reflect the Group’s operational structure and encompass the provision of engineering, installation and long-term servicing solutions for water, wastewater and environmental systems.

The Projects segment focuses on the design, fabrication, assembly, installation, and commissioning of engineered environmental systems for industrial applications. This includes our **PV Vacuum Pneumatic Waste Conveyance System (“PWCS”)** projects and other engineered vacuum solutions, as well as service concession revenue from the Ba Lai Project.

The O&M Services segment provides comprehensive maintenance and servicing of water and wastewater treatment plants and water supply systems. This segment also includes trading activities, involving equipment, chemicals, electrical controls, consumables, and related instruments used in water treatment systems, which support our operations and maintenance service offerings.

This operational structure enables us to leverage our engineering expertise while building recurring revenue streams through long-term servicing and maintenance activities.

REVENUE AND OTHER INCOME

The Group recorded revenue of \$51.4 million for the financial year ended 31 December 2025 (“**FY2025**”), as compared with \$59.1 million for the financial year ended 31 December 2024 (“**FY2024**”).

Revenue from the Projects segment decreased from \$44.4 million in FY2024 to \$36.2 million in FY2025, mainly due to project execution delays by main contractors and a lower number of projects secured in Malaysia amidst a competitive environment.

Revenue from the O&M Services segment increased from \$14.8 million in FY2024 to \$15.2 million in FY2025 driven by higher post-project servicing activities undertaken by the Group’s Malaysia subsidiaries. The growth in this segment reflects the Group’s strategic focus on strengthening recurring service revenue.

The Group’s gross profit decreased from \$11.9 million in FY2024 to \$6.3 million in FY2025, while gross profit margin declined from 20.1% to 12.3%. The lower margin was mainly attributable to intensified competition and cost inflation experienced by the Group’s operations in Malaysia and China.

Other income increased from \$0.4 million in FY2024 to \$0.7 million in FY2025, primarily due to a gain of approximately \$0.2 million arising from the disposal of the Group’s factory during the year.

EXPENSES

Administrative expenses, comprising staff salaries, professional fees, research and development, depreciation, and other operating expenses, increased from \$9.9 million for FY2024 to \$10.3 million in FY2025. The increase was mainly due to higher legal and professional fees incurred during the year, as well as the write-off of construction-in-progress amounting to approximately \$0.4 million, which was associated with the disposal of land during the year.

The Group recognised a net impairment loss on financial assets of approximately \$0.75 million, arising mainly from impairment losses on contract assets and trade receivables. This is partially offset by reversals of impairment following collections of previously impaired balances.

Finance costs increased slightly from \$1.2 million in FY2024 to \$1.3 million in FY2025, primarily due to interest expenses relating to other financial liabilities owed to non-controlling interests.

As a result of the above factors, the Group recorded a net loss of \$5.9 million for FY2025, compared to a net profit of \$0.5 million in FY2024.

FINANCIAL POSITION

Current assets increased from \$57.6 million as at 31 December 2024 to \$62.5 million as at 31 December 2025.

Contract assets, trade and other receivables increased from \$47.4 million to \$49.1 million, mainly due to unbilled work from ongoing projects and timing differences in billing cycles.

Inventories remained relatively stable at \$2.1 million.

The Group’s cash and bank balances increased from \$8.0 million as at 31 December 2024 to \$9.8 million as at 31 December 2025, reflecting improved operating cash flow during the year.

Non-current assets decreased from \$21.8 million as at 31 December 2024 to \$18.2 million as at 31 December 2025.

OPERATIONS AND FINANCIAL REVIEW

Property, plant and equipment decreased mainly due to the disposal of the Group's factory following the execution of a sale and purchase agreement during the year, depreciation charges, write-offs and impairment, as well as foreign exchange translation losses.

The Group's right-of-use assets, which comprise long-term leases of office space, warehouse, motor vehicles and staff hostel, decreased mainly due to depreciation expenses partially offset by new leasehold properties and motor vehicle leases during the year.

The Group's intangible assets decreased from \$14.8 million as at 31 December 2024 to \$13.5 million as at 31 December 2025, mainly due to a decrease in service concession asset, attributable to foreign exchange translation differences and amortisation.

The service concession asset refers to the Ba Lai concession project in Vietnam for the supply of drinking water in Ben Tre Province for a concession period of 50 years commencing from July 2017 ("**Ba Lai Project**").

Current liabilities increased from \$44.0 million as at 31 December 2024 to \$52.8 million as at 31 December 2025, while **non-current liabilities** decreased from \$5.1 million to \$4.1 million.

The Group's trade payables increased from \$20.2 million as at 31 December 2024 to \$24.2 million as at 31 December 2025, mainly due to proactive working capital management across the Group's projects.

Contract liabilities increased mainly due to advance payments received from customers for projects where the related performance obligations had not yet been satisfied as at year end.

The increase in other payables and accruals was primarily due to an increase of accrued interest on other financial liabilities of \$0.7 million, partially offset by lower GST payables as at 31 December 2025.

Total borrowings increased from \$5.3 million as at 31 December 2024 to \$7.0 million as at 31 December 2025, mainly due to higher utilisation of bank overdraft facilities during the year.

The reduction in lease liabilities was mainly due to repayments made during the year, partially offset by new leasehold property and motor vehicle leases.

As a result of the above, the Group's net assets decreased from \$30.2 million as at 31 December 2024 to \$23.8 million as at 31 December 2025.

CASHFLOWS

The Group recorded net cash inflow of \$1.0 million from operating activities for FY2025, compared to net cash outflow of \$3.1 million for FY2024. The improvement was mainly due to higher trade and other payables arising from working capital management across the Group's projects, as well as advance payments received from customers.

The Group recorded net cash inflow of \$0.3 million from investing activities for FY2025, mainly attributable to proceeds from the disposal of a vacant factory.

The Group recorded net cash outflow of \$0.1 million from financing activities for FY2025, mainly due to repayment of lease liabilities and interest, which was partially offset by the net proceeds from borrowings and additional utilisation of bank overdrafts.

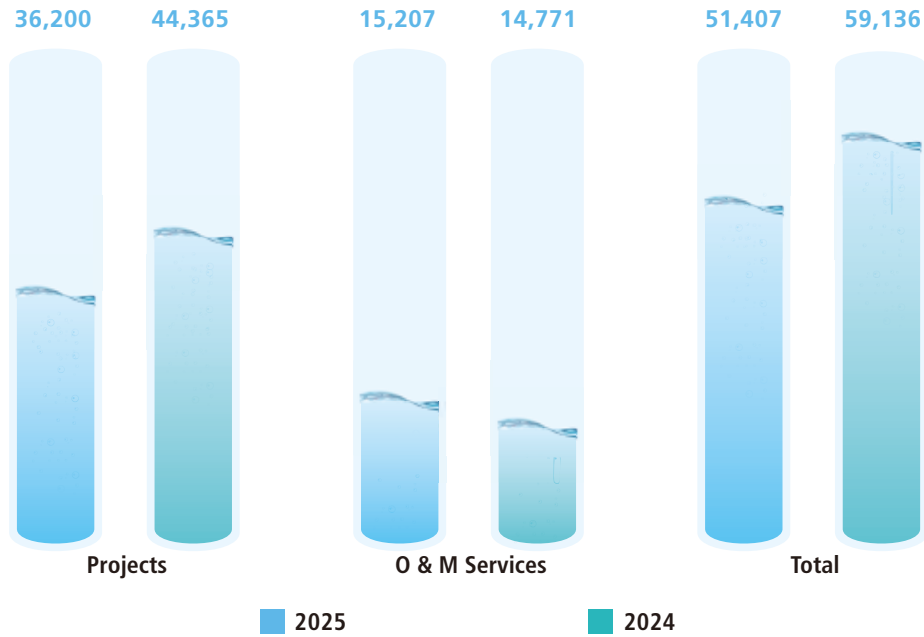
Overall, the Group's total cash and cash equivalents increased from \$6.9 million as at 31 December 2024 to \$8.0 million as at 31 December 2025.

The Group remains committed to strengthening its operational capabilities and enhancing cost efficiency amid a competitive operating environment. Management will continue to focus on prudent project selection, disciplined cost management, and expanding recurring service revenue through long-term operation and maintenance contracts.

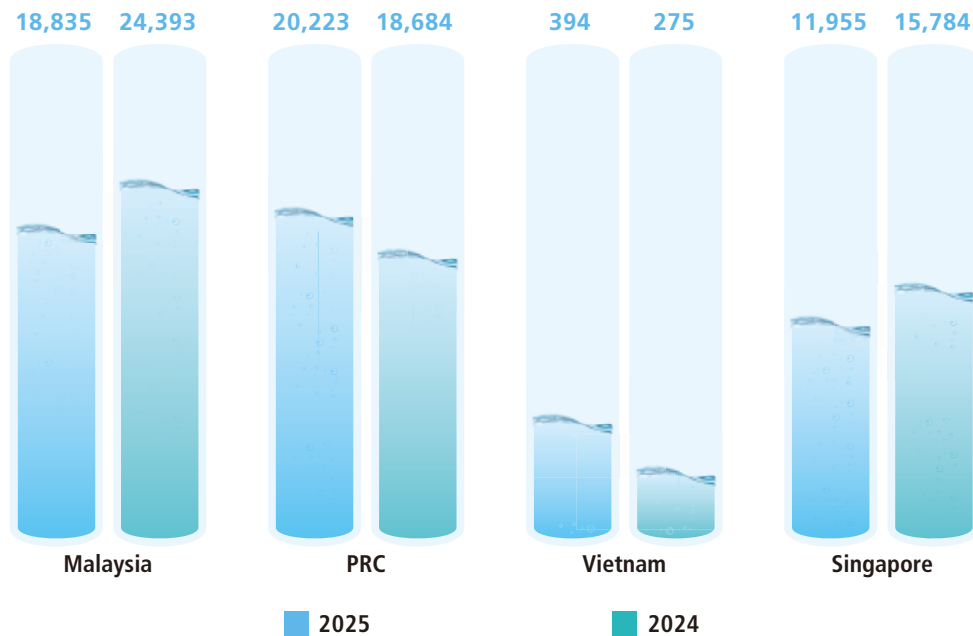
By leveraging its engineering expertise and regional presence, the Group aims to enhance its operational resilience and position itself for sustainable long-term growth.

OPERATIONS AND FINANCIAL REVIEW

SEGMENTAL REVENUE CONTRIBUTION (\$'000)



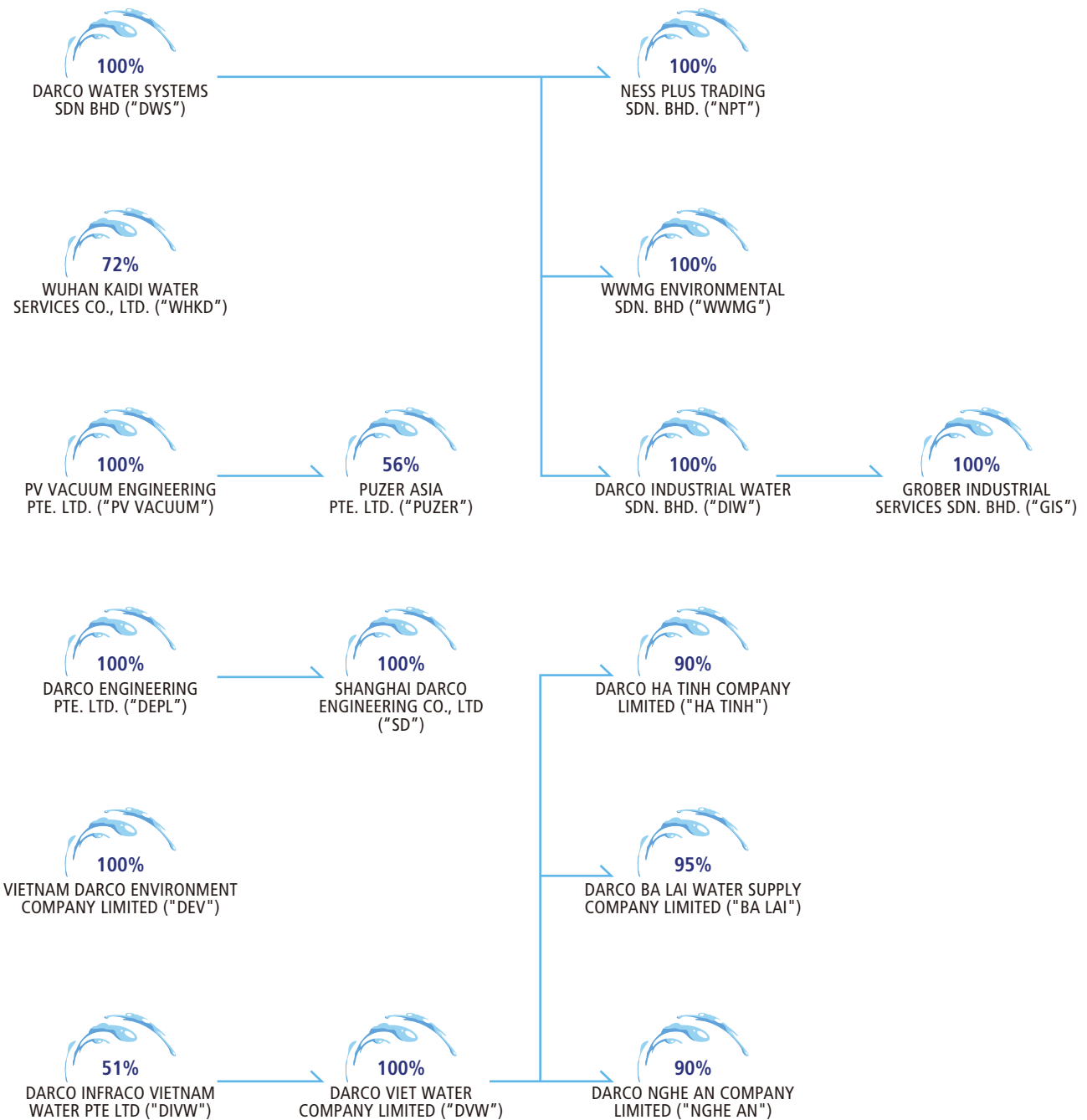
REVENUE (\$'000)
BY GEOGRAPHY AND YEAR



GROUP STRUCTURE



DARCO WATER TECHNOLOGIES LIMITED ("DWT")



CORPORATE INFORMATION



BOARD OF DIRECTORS

MR WANG ZHI

Executive Director and Executive Chairman

DR ZHANG ZHENPENG

Executive Director and Chief Executive Officer

MR SIM GUAN SENG

Lead Independent Director

MR LAI HOCK MENG

Independent Non-Executive Director

MR NIU LIMING

Independent Non-Executive Director



AUDIT COMMITTEE

SIM GUAN SENG

(Chairman)

LAI HOCK MENG

NIU LIMING

REGISTERED OFFICE

1 Commonwealth Lane,
#09-06 One Commonwealth,
Singapore 149544
Tel: 65-6363 3886
Fax: 65-6362 2355

NOMINATING COMMITTEE

NIU LIMING

(Chairman)

WANG ZHI

SIM GUAN SENG

LAI HOCK MENG

REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07, Keppel Bay Tower
Singapore 098632

REMUNERATION COMMITTEE

LAI HOCK MENG

(Chairman)

SIM GUAN SENG

NIU LIMING

AUDITORS

Crowe Horwath First Trust LLP
Public Accountants and Chartered Accountants
Singapore
9 Raffles Place
#19-20, Republic Plaza Tower 2
Singapore 048619

COMPANY SECRETARY

PETER, TIAN YE

Partner-in-charge: Adeline Ng Cheah Chen
*(appointment effective from financial year ended
31 December 2024)*

OUR REGIONAL PRESENCE





OUR MISSION

To be the water and waste solutions company of choice by providing customer-driven multi-technology solutions.

To design and manufacture a wide range of high-performance water and wastewater systems and provide services of the highest quality at affordable prices.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or the “**Directors**”) and the management (the “**Management**”) of Darco Water Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) are committed to maintaining a high level of corporate governance which is essential to the protection of interests of shareholders of the Company (“**Shareholders**”) and enhancing long-term Shareholder value and returns.

The Monetary Authority of Singapore (“**MAS**”) issued the revised Code of Corporate Governance on 6 August 2018 (the “**2018 Code**”) and the 2018 Code applies to annual reports covering financial years with effect from 1 January 2019. The Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST Listing Manual**”) require listed companies to describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the 2018 Code. Where the practices of a listed company vary from any provisions of the 2018 Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

This report outlines the Company’s corporate governance framework in place throughout the financial year ended 31 December 2025 (“**FY2025**”) with specific references made to each of the principles and the accompanying provisions to each principle of the 2018 Code and the relevant Practice Guidance of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Practice Guidance**”). The Company has complied with the principles set out in the 2018 Code. Where there are deviations, appropriate explanations have been set out on how our practices are consistent with the aim and philosophy of the principle in question.

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board is collectively responsible for providing overall strategy and direction to the Management and the Group. The Board’s key responsibilities include providing entrepreneurial leadership and supervision to the Management of the Company and the Group with a view to protect shareholders’ interests, enhance long-term shareholders’ value, safeguard the Company’s assets, and achieve long-term success of the Company and the Group.

The Board’s principal responsibilities are to:

- (a) Guide the formulation of the Group’s overall long-term strategic objectives and directions through entrepreneurial leadership, including setting the Group’s policies and strategic plans and monitor achievement of these corporate objectives;
- (b) Establish goals for management and monitor the achievement of these goals;
- (c) Ensure management leadership of high quality, effectiveness and integrity;
- (d) Review internal controls, risk management, financial performance and reporting compliance;
and
- (e) To set the Company’s values and standards (including ethical standards).

CORPORATE GOVERNANCE REPORT

All Directors act objectively and discharge their duties and responsibilities at all times as fiduciaries and make decisions in the best interests of the Company and hold Management accountable for performance. The Board has put in place a code of conduct and ethics, which set out a code of conduct and ethical standards for Directors and staff to adhere to, and sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors who face a conflict of interest recuse themselves from discussions and decisions involving the issues of conflict. Provision 1.1

In FY2025, the Company has updated 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 Chief Executive Officer (“**CEO**”) has been advising our Directors of the changing commercial and business risks faced by our Company. Provision 1.2

The Directors are also updated regularly with changes to the Listing Manual, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority (“**ACRA**”) which are relevant to the Directors are circulated to the Board by the Management.

For FY2025:–

- (i) The Directors are informed of upcoming conferences, seminars, and training programs relevant to their roles as Directors of the Company; and
- (ii) The external auditors update the Audit Committee (“**AC**”) and the Board on the new and revised financial reporting standards that are applicable to the Company and/or the Group.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors’ duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Manual that affect the Company and/or the Directors in discharging their duties. Such training costs are borne by the Company.

All new Directors shall be provided with background information about the Group’s history and core values and industry-specific knowledge. Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group’s business operations, strategic directions, Directors’ duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group’s operational facilities and meet the Management so as to gain a better understanding of the Group’s business. Rule 210(5)(a)

In addition to the above, the Company has arrangements in place for newly appointed Directors with no prior experience as a director of a listed company on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST as prescribed by the SGX-ST. If the Nominating Committee (“**NC**”) is of the view that training is not required because the Director has other relevant experience, the basis of the NC’s assessment will be disclosed.

CORPORATE GOVERNANCE REPORT

The newly appointed Director in FY2025 is Mr. Niu Liming, who was appointed as the Independent Non-Executive Director of the Company on 29 April 2025.

Mr. Niu Liming was not required to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST as prescribed by the SGX-ST, as he has had prior experience as a director of a listed company on the SGX-ST.

The Company will provide a formal letter to newly appointed Directors upon their appointment explaining their statutory duties and responsibilities as Directors.

The Board has first adopted the Group Charter in FY2003, and the Group Charter is subject to continuous updates and review by the Board. The Group Charter sets out the Group's internal guidelines for material contracts and investments exceeding specified amounts. This Group Charter also 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 levels of Management, up to the Board level. The Board is in the process of reviewing the Group Charter and targets to implement the changes proposed (if any) within FY2026. Provision 1.3

The Board has adopted a set of internal guidelines setting forth matters that require Board approval, and these internal guidelines have been clearly communicated to the Management in writing. The Board has identified the following areas for which the Board has direct responsibility for decision making within the Group:

- (i) Approval of the Group's major investments/divestments and funding decisions;
- (ii) Approval of the Group's half-year and full-year financial result announcements for release to the SGX-ST;
- (iii) Approval of any agreement which is not in the ordinary course of business;
- (iv) Approval of any major borrowings or corporate guarantees in relation to borrowings;
- (v) Entering into any profit-sharing arrangement;
- (vi) Entering into any foreign exchange hedging transactions;
- (vii) Incorporation or dissolution of any subsidiary;
- (viii) Issuance of shares or declaration of dividends;
- (ix) Approval of material interested person transactions;
- (x) Approval of the annual report and audited financial statements;
- (xi) Convening of general meetings;
- (xii) Approval of corporate strategies;
- (xiii) Approval of material acquisitions and disposal of assets; and
- (xiv) Approval of announcements or press releases concerning the Group for release to the SGX-ST.

CORPORATE GOVERNANCE REPORT

To assist the Board in the execution of its responsibilities, the Board is supported by three (3) key board committees namely the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”), and the Remuneration Committee (“**RC**”) (collectively, the “**Board Committees**”), which are delegated with specific responsibilities. The Board Committees operate within clearly defined written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The Board Committees play an important role in ensuring good corporate governance in the Company and within the Group. The written terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

Provision 1.4
Listing Rule
210(5)(e)

Details of the other Board Committees are as set out below:

- (i) Nominating Committee (Principle 4);
- (ii) Remuneration Committee (Principle 6); and
- (iii) Audit Committee (Principle 10).

Additionally, the Board is supported by an Investment Committee (“**IC**”), which comprises the following members:

Investment Committee

Dr. Zhang Zhenpeng (Chairman)
Mr. Zhao Yong Chang (Member)
Mr. Peter, Tian Ye (Member)

The IC operates within clearly defined written terms of reference setting out its compositions, authorities and duties. The key role of the IC is to assist the Board in discharging its responsibility in relation to investment-related matters as described in its written terms of reference, including advising and/or making recommendations to the Board on investment management related matters (or sub-delegating all or part of its authority to other competent bodies and/or management members of the Company. All material and significant matters are reported to the Board by the IC).

The Board and Board Committees will meet as and when required to approve matters relating to announcements of, among others, financial results, annual report, material acquisitions and disposals of assets.

Provision 1.5

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

The Board conducts meetings at least twice annually. In lieu of physical meetings, written resolutions were also circulated for approval by the members of the Board. Meetings via telephone conference are permitted by the Company’s Constitution.

CORPORATE GOVERNANCE REPORT

The attendances of the Directors at the formal Board meetings and Board Committee meetings held during FY2025, with the Company Secretary in attendance, are as follows:

Name of Director	Board		Board Committees							
			Audit Committee		Nominating Committee		Remuneration Committee		Investment Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Wang Zhi	5	4	N/A	N/A	2	2	N/A	N/A	N/A	N/A
Zhang Zhenpeng	5	5	N/A	N/A	N/A	N/A	N/A	N/A	0	0
Sim Guan Seng	5	4	5	5	2	2	1	1	N/A	N/A
Wang Yingyang ⁽¹⁾	5	1	5	2	2	2	1	1	N/A	N/A
Lai Hock Meng	5	5	5	5	2	1	1	1	N/A	N/A
Niu Liming ⁽²⁾	5	4	5	3	2	–	1	–	N/A	N/A

Notes:

- (1) Mr. Wang Yingyang ceased to be an Independent Non-Executive Director of the Company following the conclusion of the Company's AGM on 29 April 2025.
- (2) Mr. Niu Liming was appointed as an Independent Non-Executive Director of the Company at the Company's AGM on 29 April 2025.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company.

Board and Board Committee papers are prepared for each Board and Board Committee meeting respectively and furnished to the Board and Board Committees respectively prior to any Board or Board Committee meeting. The Board and Board Committee papers are issued in sufficient time to enable the Directors to obtain additional information or explanations from the Management, if necessary. The Board and Board Committee papers include minutes of the previous meetings, financial results announcements, reports from the internal auditors and external auditors, reports from the Board Committees, and related materials, background or explanatory information relating to the matters to be raised at Board and Board Committee meetings.

Provision 1.6

The Directors are regularly updated by the Management on the developments within the Group and are supplied with such other information so that they are equipped to participate fully at Board and Board Committee meetings.

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

Provision 1.7

CORPORATE GOVERNANCE REPORT

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. The Company Secretary or his or her representative administers, attends and prepares minutes of the Board and Board Committees meetings and assists the Chairman of the Board and/or the AC, NC and RC in ensuring proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively.

The members of the Board may seek the advice of independent professional advisers, the cost of which will be borne by the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

As at the date of this Corporate Governance Report, the Board comprises two (2) Executive Directors and three (3) Independent Non-Executive Directors. Presently, there is a strong and independent element on the Board with the Independent Non-Executive Directors making up a majority of the Board. Together, the Directors bring a wide range of business and financial experience relevant to the Group.

Principle 2

Name of Directors	Board	Date of First Appointment	Date of Last Re-Election	AC	NC	RC	IC
Wang Zhi	Executive Chairman and Executive Director	15 September 2022	29 April 2025	–	Member	–	–
Zhang Zhenpeng	Executive Director and Chief Executive Officer	2 November 2022	29 April 2025	–	–	–	Chairman
Sim Guan Seng	Lead Independent Director	6 July 2020	29 April 2025	Chairman	Member	Member	–
Lai Hock Meng	Independent Non-Executive Director	18 July 2023	29 April 2025	Member	Member	Chairman	–
Niu Liming	Independent Non-Executive Director	29 April 2025	Not applicable	Member	Chairman	Member	–

Listing Rule 1207(10B)

CORPORATE GOVERNANCE REPORT

Mr. Sim Guan Seng, the Company's Lead Independent Director, is not part of the Management team and is considered independent. In addition, Independent Non-Executive Directors make up a majority of the Board. Provision 2.2
Provision 2.3

The Board, taking into account the views of the NC, determines on an annual basis the independence of each Independent Non-Executive Director based on the guidelines provided in the 2018 Code, such as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Provision 2.1

In determining the independence of each Independent Non-Executive Director, the Board and the NC also consider Rules 210(5)(d)(i) and (ii) of the Listing Manual, which took effect on 1 January 2019. Pursuant to Rules 210(5)(d)(i) and (ii) of the Listing Manual, the Board and the NC consider that a director is not independent under any of the following circumstances:

- (i) If he is employed or has been employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and
- (ii) If he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the Remuneration Committee of the Company.

The NC has reviewed and determined that the Independent Non-Executive Directors, namely Mr. Sim Guan Seng, Mr. Lai Hock Meng and Mr. Niu Liming are independent in accordance with the 2018 Code and the Listing Manual, and are able to exercise independent judgement.

The Independent Non-Executive Directors have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

There is no Independent Non-Executive Director who has served on the Board beyond nine (9) years from the date of his first appointment.

The Independent Non-Executive Directors participate actively during Board meetings. The Company has benefited from the Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Independent Non-Executive Directors communicate amongst themselves and have direct access to the Company's auditors and Senior Management.

The Independent Non-Executive Directors exercise no management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Non-Executive Directors are particularly important in ensuring that the strategies proposed by the Management are fully disclosed and rigorously examined and take into account the long-term interests, not only of the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business. The Independent Non-Executive Directors are also involved in reviewing the performance of Management against agreed goals and objectives. The NC considers the Independent Non-Executive Directors to be of sufficient calibre and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

CORPORATE GOVERNANCE REPORT

Independent Non-Executive Directors exercise no management functions in the Group. The role of the Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and monitoring the reporting of performance.

The NC has reviewed the size and composition of the Board. The NC and the Board are of the opinion that the current size and composition of the Board is appropriate for decision making, taking into account the scope and nature of the Group's operations. There are no Directors who are deemed independent, notwithstanding the existence of a relationship as stated in the 2018 Code that would otherwise deem him or her not to be independent. Provision 2.4

The Board's policy in identifying director nominees is primarily to have an appropriate balance and mix of members with complementary skills, knowledge, experience and core competencies for the Group. The Board also has regard to other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

The Board notes that with effect from 1 January 2022, Rule 710A(1) of the Listing Manual requires, inter alia, an issuer to maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity while Rule 710A(2) of the Listing Manual requires, inter alia, an issuer to describe in its annual report its board diversity policy, including the following:

- a) the issuer's targets to achieve diversity on its board;
- b) the issuer's accompanying plans and timelines for achieving the targets;
- c) the issuer's progress toward achieving the targets within the timelines; and
- d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

In this regard, the Company has adopted a Board Diversity Policy which recognizes that a diverse Board will enhance the decision-making process by utilising the variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board.

Diversity will be considered in determining the optimum composition of the Board so that, as a whole, it reflects a range of different perspectives, complementary skills and experiences, which is likely to result in better decision making and allow the Board members to better identify possible risks, raise challenging questions, and contribute to problem-solving.

In particular, the Company believes that gender is an important aspect of diversity and has set a target to ensure that the Board always has a minimum of one female director on the Board. The NC notes that the current Board comprises only of male Directors and hence, the target is not met as at the date of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

The NC acknowledges that gender is one of the important aspects of diversity. The Board and Management will put in effort to source and consider female candidates for new appointments to the Board, for example, when there is cessation of directorship during the nine-year term or when a director reaches his nine-year term. In this regard, the Company targets to appoint at least one (1) female director to the Board within the next two (2) years. That said, all board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In accordance with the Board Diversity Policy, the NC will review the relevant objectives for promoting and achieving diversity on the Board, the progress made, and make recommendations for approval by the Board. The NC will review this policy from time to time as appropriate and the progress made.

The NC will, in reviewing and assessing the composition of the Board and recommending the appointment of new Directors to the Board, consider candidates on merit against the objective criteria set and with due regards for the benefits of diversity on the Board.

The Board members provide a range of core competencies in accounting, finance, business management experience and industry knowledge that provide effective governance and stewardship for the Group.

The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

	Number of Directors
Core Competencies	
– Accounting and/or finance	3
– Relevant industry knowledge or experience	2
– Legal	0
Gender	
– Male	5
– Female	0

To facilitate open discussions and the review of the performance and effectiveness of the Management, the Independent Non-Executive Directors, led by the Lead Independent Director, meet regularly without the presence of the Management. The chairman of such meetings provides feedback to the Board, as appropriate. Provision 2.5

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

There is a clear division of responsibilities between the leadership of the Board and the Management, and no one individual has unfettered powers of decision-making. Principle 3

CORPORATE GOVERNANCE REPORT

The Executive Chairman and the Chief Executive Officer (“**CEO**”) of the Company are separate persons. Mr. Wang Zhi is the Executive Chairman and Executive Director of the Company while Dr. Zhang Zhenpeng is the Executive Director and the CEO of the Company. This ensures that there is an appropriate balance of power between the Executive Chairman and the CEO and thereby allows for increased accountability and greater capacity of the Board for independent decision making. Provision 3.1

The Board has clearly established and set out in writing the division of responsibilities between the Executive Chairman and the CEO. The responsibilities of the Executive Chairman include: Provision 3.2

- (i) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
- (ii) Ensuring the Group’s compliance with the 2018 Code; and
- (iii) Acting in the best interests of the Group and shareholders.

The Company is in compliance with Provision 3.3 of the 2018 Code as the Board had re-designated Mr. Sim Guan Seng as the Lead Independent Director on 15 September 2022 to co-ordinate and to lead the Independent Non-Executive Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Non-Executive Directors and the Management. Provision 3.3

The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Management is inappropriate or inadequate.

When necessary, the Company co-ordinates informal meetings for the Independent Non-Executive Directors to meet without the presence of the Executive Directors and/or the Management to discuss matters such as the Group’s financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. Led by the Lead Independent Director, the Independent Non-Executive Directors meet amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Board after such meetings.

PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

As at the date of this Corporate Governance Report, the NC comprises of four (4) Directors, all of which, save for Mr. Wang Zhi, the Executive Chairman and Executive Director, are Independent Non-Executive Directors: Provision 4.2

Nominating Committee

Mr. Niu Liming (Chairman)
 Mr. Wang Zhi (Member)
 Mr. Sim Guan Seng (Member)
 Mr. Lai Hock Meng (Member)

CORPORATE GOVERNANCE REPORT

The Board has established written terms of reference for the NC which clearly set out the authority and duties of the NC.

The principal functions of the NC include, *inter alia*, the following matters:

- (i) Reviewing and making recommendations to the Board on succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- (ii) Reviewing and making recommendations to the Board on the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (iii) Reviewing and making recommendations to the Board on the training and professional development programmes for the Board and its Directors; Provision 4.1
- (iv) Reviewing and making recommendations to the Board on the appointment and re-appointment of Directors (including alternate directors, if any);
- (v) Reviewing on an annual basis the terms of reference of the NC, the composition of the NC and the size of the Board with a view to determining the impact of the number upon effectiveness;
- (vi) Reviewing on an annual basis the required expertise of the Directors to ensure that the Directors have the adequate relevant competencies to discharge their respective functions, and to ensure that there is balance in competencies;
- (vii) Assessing the effectiveness of the Board as a whole; and
- (viii) Determining annually, and as and when circumstances require, the independence of Directors.

The Board periodically reviews the composition of the Board and Board Committees, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.

The NC will, at least once every year, review and thereafter, make recommendations to the Board regarding the Board structure, size, composition and core competencies. Principle 4

For the selection and appointment of new Directors to the Board, the NC would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, experience, gender, and knowledge of the existing Board. The following steps shall be taken: Provision 4.3

- (i) First evaluate the strengths and capabilities of the existing Board before it proceeds to assess the needs of the future Board;
- (ii) Assess whether the needs of the future Board can be fulfilled by the appointment of one (1) person, and if not, to consult the Board with respect to the appointment of two (2) persons;
- (iii) Seek out and source for a wide range of suitable candidates and obtain their resumes for review;

CORPORATE GOVERNANCE REPORT

- (iv) Conduct background checks on the candidates whose resumes the Company has received; and
- (v) Narrow this list of candidates to a short list, and then invite the shortlisted candidates for an interview which may include a briefing of the duties required to ensure that there are no differences in expectations, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have.

In selecting and appointing potential directors, the NC will seek out and source for a wide range of suitable candidates, including persons not directly known to the Directors. In addition, the NC is empowered to engage professional search firms to seek out and source for suitable candidates, at the Company's expense. The NC gives due consideration to all suitable candidates regardless of who identified the candidate. The NC will interview all suitable candidates in frank and detailed meetings, and thereafter review and evaluate the candidates, taking into account the candidate's track record, experience, capabilities and other relevant factors, and make its recommendations to the Board on all candidates nominated for appointment to the Board for approval. New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting ("AGM"), or by nomination by a Director or Shareholder in accordance with the Constitution of the Company, subject to approval by Shareholders at the AGM.

The NC, in considering the re-appointment of any Director, had considered, inter alia, the attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, and the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possesses which are crucial to the Group's business.

In accordance with the Constitution of the Company, all Directors shall retire at every AGM and all new Directors appointed by the Board will have to retire at the next AGM following their appointments (such Director shall then be eligible for re-election at that AGM). Additionally, pursuant to the introduction of Rule 720(5) of the Listing Manual, which took effect from 1 January 2019, all Directors of the Company are required to submit themselves for re-nomination and re-appointment at least once every three (3) years.

Listing Rule
720(5)

The NC has assessed and recommended that Mr. Wang Zhi, Dr. Zhang Zhenpeng, Mr. Sim Guan Seng, Mr. Lai Hock Meng and Mr. Niu Liming (collectively, "**Retiring Directors**") be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation and the Retiring Directors will be offering themselves for re-election at the forthcoming AGM.

In reviewing the nomination of the Retiring Directors, the NC considered the performance and contribution of each of the Retiring Directors, having regards not only to their attendance and participation at Board and Board Committees meetings but also the time and efforts devoted to the Group's business and affairs.

Mr. Wang Zhi, Mr. Sim Guan Seng, Mr. Lai Hock Meng and Mr. Niu Liming being members of the NC who are retiring at the AGM, abstained from voting on the resolution in respect of their re-nomination as a Director of the Company.

CORPORATE GOVERNANCE REPORT

The NC reviews and affirms the independence of the Company's Independent Non-Executive Directors annually. Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the provisions provided in the 2018 Code and the Listing Manual, and requires each Director to assess whether he/she considers himself/herself independent despite not being involved in any of the relationships identified in the 2018 Code and the Listing Manual. The NC then reviews the Director's independence checklist to determine whether each Director is independent. Provision 4.4

The Independent Non-Executive Directors have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The Board, in consultation with the NC, considers Mr. Sim Guan Seng, Mr. Lai Hock Meng and Mr. Niu Liming to be independent based on the definition of independence as set out in the Listing Manual and the 2018 Code.

The NC ensures that new Directors are aware of their duties and obligations. Provision 4.5

Currently, the Board has not determined the maximum number of listed board representations which any Director may hold. The NC and the Board focus on whether a Director has sufficient time to adequately discharge his/her duties as a Director of the Company. The NC and the Board will review the requirements from time to time to determine the maximum number of listed board representations to ensure that Directors are able to meet the demands of the Group and are able to discharge their duties adequately.

The NC monitors and assesses annually whether Directors who have multiple board representations and other principal commitments, are able to give sufficient time and attention to the affairs of the Company and diligently discharge his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, his actual conduct on the Board and Board Committees, and his attendance record at meetings in making this determination.

The NC is satisfied that in FY2025, despite their other listed company board representations and other principal commitments, each of the Directors was able to give sufficient time and attention to the affairs of the Company, and was able to adequately carry out his or her duties as a Director of the Company.

There is no alternate director being appointed to the Board.

Key information regarding the Directors, such as academic and professional qualifications, Board Committees served, Directorships or Chairmanships both present and past held over the preceding five (5) years in other listed companies, their principal commitments and whether the appointment is executive or non-executive are set out in page 45 of the Annual Report.

Please also refer to the pages 45 to 54 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual. Listing Rule 720(6)

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution of the individual Directors to the effectiveness of the Board. Principle 5

The NC is tasked with the assessment of the Board's performance, and reviews and evaluates the performance of the Board as a whole, each Board Committee, the contribution by the Chairman and each individual Director on an annual basis. The NC also recommends for the Board's approval the objective performance criteria and process for the abovementioned evaluation. Provision 5.1

The NC has established an appraisal process to assess and evaluate the performance and effectiveness of the Board as a whole and its Board Committees and to assess the contribution by the Chairman and each individual Director to the effectiveness of the Board. The evaluation is conducted annually to identify areas of improvement and as a form of good Board management practice.

As part of the appraisal process, each Director was required to complete a Board evaluation form adopted by the NC, whereby each Director completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of the Board's, the Board Committee's, and each individual Director's performance. The results of these self-assessment checklists will be collated by the NC for review and assessment, which then tables the self-assessment checklists to the Board for discussion and makes recommendations to the Board aimed at assisting the Board to discharge its duties more effectively. Provision 5.2

The NC focuses on a set of objective performance criteria in the evaluation of the Board as a whole, the Board Committees and the individual Directors. The objective performance criteria used by the NC includes the evaluation of the size and composition of the Board and Board Committees, the Board's and the Board Committees' access to information, the Board's and Board Committees' process and accountability, the Board's and the Board Committees' performance in relation to discharging their principal functions and responsibilities, and the Directors' standard of conduct.

In assessing the effectiveness of the Board as a whole, the Board Committees, and the individual Directors, the NC also takes into consideration the individual Director's industry knowledge and/or functional expertise, and workload requirements. The NC also assesses the contribution by the Chairman and each individual Director to the effectiveness of the Board and Board Committees. In addition, the NC considers the attendance, level of preparedness, participation and candour of the Directors in its assessment of each individual Director (including the Chairman).

The NC has reviewed and assessed the effectiveness of the Board based on the objective performance criteria approved by the Board, as detailed above. The NC is of the opinion that each member of the Board has discharged their duties adequately for FY2025 as a result of the active participation of each Board member during the meetings. No external facilitator was used during the evaluation process in FY2025.

The NC, having reviewed the overall performance of the Board, Board Committees and each individual Director, is of the view that the performance of the Board as a whole, each Board Committee and each individual Director has been satisfactory and met its performance objectives for FY2025.

CORPORATE GOVERNANCE REPORT

The NC, having reviewed the results of these self-assessment checklists, is of the view that there is no immediate need to propose new Directors to be appointed to the Board or seek the resignation of the current Directors.

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As at the date of this Corporate Governance Report, the RC comprises of three (3) Directors, all of which are Independent Non-Executive Directors. Provision 6.2

Remuneration Committee

Mr. Lai Hock Meng (Chairman)
Mr. Sim Guan Seng (Member)
Mr. Niu Liming (Member)

The RC is regulated by its written terms of reference which set out the RC's authorities and duties. The key functions of the RC include:

- (i) Reviewing and making recommendations to the Board on a framework of remuneration for the Board and key management personnel;
- (ii) Reviewing and making recommendations to the Board on the specific remuneration packages for each Director as well as for the key management personnel;
- (iii) Reviewing and making recommendations to the Board on the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired; Provision 6.1
- (iv) Reviewing all aspects of remuneration, including directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and termination payments, as well as termination terms, to ensure they are fair and to avoid rewarding poor performance;
- (v) Reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, so as to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- (vi) Considering the various disclosure requirements for Directors' remuneration, particularly those required by regulatory bodies such as SGX-ST and to ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties; Provision 6.3
- (vii) Overseeing the award of share options and the payment of fees to Non-Executive Directors and to ensure, as far as is possible, that the quantum commensurate with the Non-Executive Directors' contribution to the Board and the Company; and

CORPORATE GOVERNANCE REPORT

- (viii) Retaining such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder.

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. Principle 6

No Director is involved in deciding his or her own remuneration. In particular, each Director shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of their own remuneration package.

Independent Non-Executive Directors are paid fixed fees as Directors' fees. The Directors' fees are subject to shareholders' approval at the AGM.

The RC may seek expert advice inside and/or outside of the Company on matters relating to remuneration. It ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company did not engage any remuneration consultants during FY2025. Provision 6.4

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The RC and the Board in determining the level and structure of remuneration of the Board and key management personnel will ensure that they are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account its strategic objectives, its long-term interests and risk policies. Principle 7

The RC has structured remuneration packages for Executive Directors and key management personnel to take into account performance-related indicators, which include financial and non-financial factors. It is structured to link a significant and appropriate proportion of rewards to the Company and individual performance. Provision 7.1

The Independent Non-Executive Directors are paid Directors' fees of an agreed amount appropriate to their level of contribution, taking into account factors such as effort and time spent, responsibilities and contribution to the Board, as well as the remuneration rates of comparable companies listed on Mainboard of the SGX-ST. Their remunerations are subject to shareholders' approval at the AGM. The Independent Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. Provision 7.2

The remuneration framework for Directors and key management personnel is aligned with the interests of the shareholders and other relevant stakeholders and is appropriate to attract, retain and motivate them to provide good stewardship of the Company for the long-term success of the Company. Provision 7.3

CORPORATE GOVERNANCE REPORT

Darco Performance Share Plan

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options or other forms of deferred remuneration. The Darco Performance Share Plan (“**Share Plan**”), which was adopted on 6 November 2014, has since expired. The Company had not granted any share awards pursuant to the Share Plan in previous financial years and decided not to renew the Share Plan.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Board notes that with effect from financial years ending on or after 31 December 2024, Rule 1207(10D) of the Listing Manual requires the breakdown of remuneration paid to each individual director and the chief executive officer to include, in percentage terms, the base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In accordance with 1207(10D) of the Listing Manual, the breakdown showing the level and mix of the remuneration of each Director during FY2025 is set out below:

Principle 8

Rule 1207(10D)

Remuneration bands & Name of Directors	Base/ Fixed Salary (%)	Variable/ Performance Related Income or bonus (%)	Benefits in kind (%)	Stock Options Granted (%)	Share-Based Incentives and awards (%)	Long Term Incentives (%)	Director's Fees (%)	Total (%)	Total Remuneration (\$'000)
Between \$250,000 to \$500,000									
Wang Zhi	91%	8%	–	–	–	–	1%	100%	433
Zhang Zhenpeng	93%	7%	–	–	–	–	–	100%	402
Below \$250,000									
Sim Guan Seng	–	–	–	–	–	–	100%	100%	48
Wang Yingyang ⁽¹⁾	–	–	–	–	–	–	100%	100%	14.6
Lai Hock Meng	–	–	–	–	–	–	100%	100%	45
Niu Liming ⁽²⁾	–	–	–	–	–	–	100%	100%	30.4

Provision 8.1

Notes:

- (1) Mr. Wang Yingyang ceased to be an Independent Non-Executive Director of the Company following the conclusion of the Company's AGM on 29 April 2025.
- (2) Mr. Niu Liming was appointed as an Independent Non-Executive Director of the Company at the Company's AGM on 29 April 2025.

CORPORATE GOVERNANCE REPORT

The Directors have not been granted any stock options, share-based incentives and awards, and other long-term incentives in FY2025.

The breakdown showing the level and mix of the remuneration of the two (2) key management personnel (who is not a Director or the CEO of the Company) (“**Key Management Personnel**”) during FY2025 is set out below:

Remuneration Bands & Name of Key Management Personnel	Base/Fixed salary (%)	Variable or performance related income or bonus (%)	Benefits in kind (%)	Total (%)
Below \$250,000				
Zhao Yong Chang ⁽¹⁾	92	8	–	100
Peter, Tian Ye	93	7	–	100

Note:

(1) Mr. Zhao Yong Chang resigned as Executive Director of the Company with effect from 31 December 2024 but remains as the Chief Operating Officer and a member of the Investment Committee of the Company.

For FY2025, the aggregate total remuneration paid to the top two (2) key management personnel disclosed in the table above (who are not Directors or the CEO) amounted to \$358,300.

The Key Management Personnel have not been granted any stock options, share-based incentives and awards, and other long-term incentives in FY2025.

There were no termination, retirement or post-employment benefits granted to Directors, the CEO and the Key Management Personnel in FY2025.

The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

Performance Conditions	Short-term Incentives	Long-term Incentives
Qualitative	<ol style="list-style-type: none"> 1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 	<ol style="list-style-type: none"> 1. Current market and industry practices

The Directors’ fees paid to the Independent Non-Executive Directors are in accordance with their credentials, qualifications, experience and contributions. Other factors such as responsibilities, effort and time spent on serving on the Board and Board Committees also form part of the consideration in the determination of the Directors’ fees. Annual Directors’ fees are recommended by the Board and are subject to the approval of Shareholders at AGMs.

CORPORATE GOVERNANCE REPORT

There are no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds \$100,000 during FY2025.

The Company ensures that the remuneration of key management personnel is consistent and comparable with market practice by periodically reviewing and considering such remuneration components against those of comparable companies. Provision 8.2

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options or other forms of deferred remuneration as at the date of this Corporate Governance Report. Provision 8.3

PRINCIPLE 9: ACCOUNTABILITY AND AUDIT – RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board recognizes that internal control system provides reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. Principle 9
Provision 9.1

The Board, having considered various factors, including the aforementioned system of internal controls currently in place, the number of offices and factories the Group has, the nature and complexity of its operations as well as cost-effectiveness, has determined that it is not necessary for the Group to set up the Enterprise Risk Management programme and a separate internal audit function. Instead, the internal audit function is being outsourced to an external international auditing firm.

Additionally, with assistance from the AC and Management, the Board reviews the Group's business and operational activities, to determine the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The Internal Auditors conducted periodic audits and reviews of the Group's key operations and business practices to ensure compliance with the Group's system of internal controls. During the year, a Control Self-Assessment review was conducted to assist the Board and AC to obtain assurance from Management on the adequacy and effectiveness of the system of internal controls.

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its Shareholders. The Management is responsible for designing, implementing and monitoring the risk management and internal control systems within the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Any significant matters are highlighted to the Board and the AC for their deliberation.

In addition, the AC will review the Group's internal controls and risk management practices annually, taking into consideration the risks to which the business is exposed to, the likelihood of the occurrence of such risks and the cost of implementing mitigating controls.

CORPORATE GOVERNANCE REPORT

The Board, together with the Management, shall be actively engaged in strategic transactions and corporate right-sizing exercises. The internal re-organization will include an internal control review to ensure proper delegation of authorities and accountability in order to exercise management controls over the operations.

Other than certain improvements as highlighted by the internal audit report, the Group has in place a system of internal controls that address financial, operational, compliance and information technology risks to safeguard shareholders' investment and the Group's assets. The internal controls maintained by the Management are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and practices, and the identification and containment of operational and business risks.

The CEO and the Chief Financial Officer (or equivalent) had provided written assurance to the Board that the financial records have been properly maintained and the financial statements for FY2025 give a true and fair view of the Company's operations and finances. Provision 9.2

The CEO and other key management personnel who are responsible have provided written assurance to the Board that the Company's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, the audit conducted by the external and internal auditors as well as ongoing Management review, the Board, with the concurrence of the AC, is of the opinion that the Group has adequate and effective systems of internal control (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature and size of the Group's business and operations. Listing Rule 719(1)

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee ("AC") that discharges its duties objectively.

The AC comprises of three (3) Independent Non-Executive Directors.

Audit Committee

Mr. Sim Guan Seng (Chairman)
Mr. Lai Hock Meng (Member)
Mr. Niu Liming (Member)

The AC comprises of three (3) Independent Non-Executive Directors, all of whom, including the Chairman of AC, are independent. All members of the AC, including the Chairman of AC, have recent and relevant accounting or related financial management expertise.

The AC members possess experience in finance and business management. The Board is of the opinion that the members of the AC are appropriately qualified to carry out their responsibilities, set out in their terms of reference, by having the necessary accounting or related financial management expertise to discharge their responsibilities.

CORPORATE GOVERNANCE REPORT

No former partner or director of the Company's existing audit firm has acted as a member of the AC.

The AC, which discharges its duties objectively, has written terms of reference which sets out their duties and responsibilities, which include the following:

- (i) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and Company and any announcements relating to the Group and Company's financial performance; Provision 10.3
- (ii) Reviewing at least annually, the adequacy and effectiveness of the Group and Company's internal controls and risk management systems; Provision 10
- (iii) Reviewing the assurance from the CEO and CFO on the financial records and financial statements; Provision 10.1
- (iv) Making recommendations to the Board on (i) the proposals to the Shareholders on the appointment and removal of external auditors, and (ii) the remuneration and terms of engagement of the external auditors;
- (v) Reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function;
- (vi) Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- (vii) Ensures that the Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;
- (viii) Review with the external auditors their audit plan, audit report, management letter and the Management's response;
- (ix) Review the half-year and annual financial statements before submission to the Board for approval;
- (x) Discuss problems and concerns, if any, arising from the external and internal audits, if any, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);
- (xi) Review the assistance given by the Management to the auditors;
- (xii) Review the internal audit programme and ensure co-ordination between the internal and external auditors and management, where applicable;
- (xiii) Review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operation results or financial position, and Management's response;

CORPORATE GOVERNANCE REPORT

- (xiv) Report to the Board its findings from time to time on matters arising and required the attention of the AC;
- (xv) Review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- (xvi) Undertake such other reviews and projects as may be requested by the Board; and
- (xvii) Undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

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

Changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable.

Internal Audit

The internal audit function for the Company's subsidiaries, with the exception of Darco Ba Lai Water Supply Company Limited, is outsourced to BDO LLP. For Darco Ba Lai Water Supply Company Limited, the internal audit function is outsourced to A&C Consulting Company Limited (Baker Tilly Vietnam). Both BDO LLP and Baker Tilly Vietnam report primarily to the AC. BDO LLP and Baker Tilly Vietnam are international auditing firms and they perform their work based on the BDO Global Internal Audit Methodology and the Baker Tilly International Audit Methodology respectively, which are consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

Provision 10.4

The AC reviews and approves the internal audit plan submitted by the internal audit function. On an ongoing basis, the internal audit function reports any significant weaknesses and risks identified in the course of internal audits conducted to the AC. Recommendations to address control weaknesses are further reviewed by the internal audit function based on implementation dates agreed with the Management.

The AC decides on the appointment, termination and remuneration of the internal auditor, and ensures that sufficient manpower is allocated for the internal audit function to adequately perform its functions and ensures that the internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

The AC also reviews, at least annually, the adequacy and effectiveness and assesses the independence of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the review. The AC ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. The AC is of the view that the internal audit function is independent of the activities it audits, effective and adequately resourced.

Listing Rule 719(3)

Listing Rule 1207(10C)

CORPORATE GOVERNANCE REPORT

For FY2025, the AC had met with the external auditors and internal auditors without the presence of the Management and conducted a review of all non-audit services provided by the auditors. The AC is of the opinion that all non-audit services provided by the external auditors would not affect the independence of the auditors. The amount paid and payable to external auditors for audit and non-audit services fees for FY2025 were \$309,000 and Nil respectively. Provision 10.5

In the review of the financial statements for FY2025, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters, including revenue recognition using Input Method, had been properly dealt with. The Board had approved the financial statements.

In respect of appointments and re-appointments of external auditors, the AC evaluates the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework published by ACRA. The AC recommends to the Board the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approves the remuneration of the external auditors. The AC has recommended to the Board that Messrs Crowe Horwath First Trust LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

In appointing the audit firms for the Group, the Company has complied with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST. Apart from the Company's subsidiary in Vietnam, the same auditors were appointed for the Company's subsidiaries. The Board and AC are satisfied that the appointment at a separate audit firm in Vietnam would not compromise the standard and effectiveness of the audit of the Company.

Whistle-Blowing Policy

The Company has in place a Whistle-Blowing Policy and procedures for reporting improprieties in matters of financial reporting and other matters, by which the staff may raise concerns about possible corporate improprieties in matters of financial reporting or other matters in confidence and ensure protection of the whistleblower against detrimental or unfair treatment. Details of the Whistle-Blowing Policy and procedures for raising concerns have been made available to all employees and members of the public through the Company's website. Provision 10.1

The Audit Committee is responsible for oversight and monitoring of whistle-blowing. To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are to be sent to the Chairman of AC. For independent follow-up or investigation, whistle-blowing report(s) will be communicated and directed to the Chairman of AC. New staff is briefed on the Whistle-Blowing Policy and the procedures for raising concerns during the orientation programme.

As of the date of this Corporate Governance Report, the Audit Committee had investigated all whistle-blowing reports received during FY2025 and subsequently determined that no follow up action was necessary. The Audit Committee is in the process of investigating a whistle-blowing report received in 2026, and will determine whether any follow up action is necessary following completion of the Audit Committee's investigation.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND ENGAGEMENT – SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act 1967, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet. Principle 11

The Company will dispatch hardcopies of the notice of AGM and Proxy Form to all shareholders. The notice of AGM, FY2025 Annual Report and the Proxy Form are also available for download from the Company's website at the URL <https://darcowater.com/investor-information/annual-general-meeting/> and the SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. The forthcoming AGM of the Company will be held physically, at 60 Cecil St, #03-02 ISCA House, Singapore 049709. At general meetings of Shareholders, shareholders are given the opportunity to communicate their views and ask Directors or Management questions regarding the Company's affairs. Shareholders are also informed of the poll voting procedures at the general meetings. Provision 11.1

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. All resolutions at the Company's general meetings are put to a vote by poll. For the cost-effectiveness of the Company, the voting of the resolutions at the Company's general meetings is conducted by manual polling. The detailed results of each resolution are announced via SGXNet after the general meetings.

At general meetings of Shareholders, the Company tables separate resolutions on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. Provision 11.2

All Directors attend the general meetings of the Company to allow Shareholders the opportunity to air their views and ask the Directors questions regarding the Company. The external auditors also attend the annual general meetings to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditor's report. Provision 11.3

CORPORATE GOVERNANCE REPORT

The Directors' attendance at the general meetings of the Company held in FY2025 are set out in the table below:

Name of Director	Annual General Meeting		Extraordinary General Meeting	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Wang Zhi	1	1	1	1
Zhang Zhenpeng	1	1	1	1
Sim Guan Seng	1	1	1	1
Wang Yingyang ⁽¹⁾	1	1	–	–
Lai Hock Meng	1	1	1	1
Niu Liming ⁽²⁾	1	1	1	1

Notes:

- (1) Mr. Wang Yingyang ceased to be an Independent Non-Executive Director of the Company following the conclusion of the Company's AGM on 29 April 2025.
- (2) Mr. Niu Liming was invited to attend the Company's AGM on 29 April 2025 and was appointed as an Independent Non-Executive Director of the Company at the Company's AGM on 29 April 2025.

If any Shareholder is unable to attend general meetings of the Company, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's current Constitution does not include the right of the nominee and custodial services to appoint more than two proxies. Provision 11.4

On 3 January 2016, the Companies Act 1967 of Singapore was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

The Company had obtained Shareholders' approval at the extraordinary general meeting held on 29 April 2025 for the amendment of the Company's Constitution to include, amongst others, provisions for allowing the Company to institute voting in absentia for general meetings of the Company. That said, the Company has not implemented measures to allow shareholders who are unable to vote in person at the Company's AGM the option to vote in absentia as the authentication of Shareholder information and other related security issues remain a concern.

The Company publishes minutes of its general meetings of Shareholders on its corporate website as soon as practicable, and in any event, by no later than one (1) month from the date of the general meeting. The minutes record substantial and relevant comments and queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and Management. Provision 11.5

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Not having a fixed dividend policy gives the Company flexibility to manage its available cash and working capital, and in particular, retain profits for future investment as part of the Company's efforts to achieve long-term growth for the benefit of Shareholders. Provision 11.6

Dividends were not declared or paid for FY2025 in view that the Company would need to conserve cash for the working capital.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting together with explanatory notes or a circular on items of special business (if necessary) may be accessed via the Company's website at the URL <https://www.darcowater.com/> and SGXNET at the URL <https://www.sgx.com/securities/company-announcements> at least 14 calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. Each item of special business included in the notice of the general meetings will be accompanied by an explanation of the effects of a proposed resolution. Principle 12
Provision 12.1

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its Shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- Annual reports that are published and made available to all shareholders on the Company's website and SGXNET. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act 1967 of Singapore and Singapore Financial Reporting Standards;
- Half-yearly announcements containing a summary of the financial information and affairs of the Group for that period; and
- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGMs**"). The notice of AGMs and EGMs are also advertised in a national newspaper.

The Company provides avenues for communication between the Board and all Shareholders. The Company keeps Shareholders updated on the strategic direction of the Company via announcements released on SGXNET. The Company also seeks to solicit and understand the views of Shareholders.

CORPORATE GOVERNANCE REPORT

Investor Relations Policy

Provision 12.2

Although the Company does not have a team of investor relations personnel, Shareholders can access the Company's website at <https://www.darcowater.com/> for financial information, corporate announcements, press releases, annual reports and profile of the Group and through which shareholders may contact the Company with questions and the Company will respond to such questions accordingly. Provision 12.3

Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. The Company will announce its Annual Report through SGXNet to Shareholders. The notice of AGM is also published in the newspaper within the mandatory period.

PRINCIPLE 13: MANAGING STAKEHOLDER RELATIONSHIPS – ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts a balanced approach towards the needs and interests of key stakeholders, taking into account the best interests of the Company. Principle 13

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. To facilitate the exercise of stakeholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET. Stakeholders are also informed of rules, including voting procedures that govern the meeting. The Annual Report sets out the Company's strategy in managing stakeholder relationships. Provision 13.1

The Company periodically assesses focus areas where the Company can have the greatest economic, environmental and social impact, as well as areas that are most important to its stakeholders. The Company has made efforts to seek the opinions of many stakeholders either through various means. In FY2025, the Company has maintained the Company's website to keep the stakeholders updated of developments as disclosed under Provision 12.1 above. Provision 13.2

The Company maintains a current corporate website, <https://www.darcowater.com/>, to communicate and engage with stakeholders. Provision 13.3

CORPORATE GOVERNANCE REPORT

SUSTAINABILITY REPORT

The Company recognizes the importance of environmental, social and governance considerations in creating value for its business and stakeholders and is dedicated to making a positive impact on the environment. The Company will continue to incorporate sustainability principles into its business operations and to conduct sustainability strategy development and climate analysis. Darco views environmental stewardship as essential for its future, continuously seeking innovative technologies and methods to minimize its environmental footprint and operate more efficiently.

The Company is working towards the issuance of Sustainability Report by 30 April 2026 with reference to the Global Reporting Initiative (“GRI”) Standards for sustainability reporting and the sustainability reporting requirements of the Singapore Exchange Securities Trading Limited Listing Manual. The sustainability report will be made available to shareholders on the SGXNet at <https://www.sgx.com/securities/company-announcements>.

The Sustainability Report covering the year ended 31 December 2025, highlights our commitment to environmental, social and governance (“ESG”) factors. This includes our efforts in environmental sustainability, regulatory compliance and social contributions. The Company acknowledges that climate change-related risks and opportunities may impact the future business and development and will continue to assess potential risks and opportunities from climate change, using the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendation. In 2025, the Group had conducted a stakeholders’ survey.

DEALING IN COMPANY’S SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code to provide guidance for the Company, Directors and all its Officers in relation to their dealings in the Company’s securities.

CORPORATE GOVERNANCE REPORT

The Company, Directors and its Officers are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full-year results and ending on the date of the announcement of the relevant results. Additionally, they are not allowed to deal in the Company's shares while in possession of price sensitive information. The Directors and Officers are required to report to the Company and the Company Secretary whenever they deal in the Company's shares and the Company will ensure that the necessary announcements are made. In addition, the Company, Directors and Officers are also expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has established a register to ensure that all Interested Person Transactions are properly recorded, reviewed and approved, and are conducted on an arm's length basis to ensure that all transactions with interested persons are reported in a timely manner to the AC, if any, and that transactions are carried out on a normal commercial term and will not be prejudicial to the interest of the Company and its minority Shareholders.

The aggregate value of interested person transactions entered into during FY2025 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000)
–	–	–

There was no subsisting Shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual during FY2025.

CORPORATE GOVERNANCE REPORT

There were no interested person transactions of S\$100,000 and above entered into in FY2025.

MATERIAL CONTRACTS

During FY2025, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO, any Director or the controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
Date of Appointment	15 September 2022	2 November 2022	6 July 2020	18 July 2023	29 April 2025
Date of last re-appointment (if applicable)	29 April 2025	29 April 2025	29 April 2025	29 April 2025	Not applicable
Age	60	50	66	70	50
Country of principal residence	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Wang's contribution as an Executive Chairman and Executive Director of the Company.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Dr Zhang's contribution as an Executive Director and Chief Executive Officer of the Company.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Sim to be able to exercise judgement as the Lead Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Sim to be independent for the purpose of Rule 704(8) of the Listing Rules.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lai is able to exercise judgement as the Independent Non-Executive Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr Lai to be independent for the purpose of Rule 704(8) of the Listing Rules.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Niu is able to exercise judgement as the Independent Non-Executive Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr Niu to be independent for the purpose of Rule 704(8) of the Listing Rules.
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr Wang shall be responsible for the overall business direction and strategy of the Group.	Executive, Dr Zhang shall be responsible for the general management, overall strategic planning, new business development and regional expansion of the Group.	Non-Executive	Non-Executive	Non-Executive

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman, Executive Director and a member of the Nominating Committee	Executive Director, Chief Executive Officer, Chairman of Investment Committee	Lead Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee	Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit Committee	Independent Non-Executive Director, Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee
Professional qualifications	Bachelor Degree in Chemical Engineering, Nanchang Aeronautical University Manufacturing Management Training Course, University of Southern California Business School	Ph.D. Nanyang Technological University	Bachelor of Accountancy (Hons) National University of Singapore (1983) Chartered Accountant of Singapore – CA (Singapore), Institute of Singapore Chartered Accountants (ISCA) (1992)	BA (Honours) in Economics, Cambridge University, UK Chartered Financial Analyst, CFA Institute, USA	MBA, Master of Science, Bachelor of Science
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> – Chairman and CEO of Future Development Group Ltd (September 2008 – June 2022) – Chairman and CEO of Future International Investment Ltd (September 2008 – June 2022) – Chairman and CEO of Future Holdings Group Ltd (September 2008 to June 2022) 	<ul style="list-style-type: none"> – CEO of Tianjin Ruiyuan Business Management Partnership Enterprise (LLP), China (May 2021 – September 2022) – President Assistant of Beijing Enterprises Clean Energy (BECE), China (May 2016 – May 2021) – Managing Director of BEWG International Pte Ltd (BEWG International), Singapore (May 2014 – May 2016) – Vice/General Manager of Beijing Enterprises Water Group (BEWG), Overseas Business Unit, China (September 2008 – May 2014) 	<ul style="list-style-type: none"> – Managing Partner of Baker Tilly TFW LLP (2010 – 2019) – Partner of Baker Tilly TFW LLP (2019 – 2022) – Managing Director of Valastan Assurance PAC formerly known as Cohen Assurance PAC (2022 – Present) 	<ul style="list-style-type: none"> – HML Consulting Group Pte Ltd, Singapore/ Chairman (October 2007 – July 2016) (June 2017 – Present) – Success Dragon International Holdings Ltd/ CEO & Executive Director (July 2007 – October 2015) – EC World Asset Management Pte Ltd/CEO & Executive Director (May 2015 – May 2017) – PureCircle (Jiangxi) Co., Ltd, Jiangxi, China/ Chairman & Legal Representative (May 2017 – May 2020) – Riverside Asia Partners Pte Ltd/ Executive Director (November 2017 – February 2020) – PureCircle Ltd/CEO/ Executive Director (February 2020 – July 2020) 	<ul style="list-style-type: none"> – Executive Director & CEO of Nutryfarm International Limited (Dec 2022 – Present) – Director of Corpbond Investments Pte Ltd (Oct 2018 – Present) – Director of Corpbond Holdings Pte Ltd (Dec 2017 – Present) – Director & CEO of Furong Investments Pte Ltd (Jan 2016 – Dec 2017)

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
Shareholding interest in the listed issuer and its subsidiaries	Yes, Mr. Wang has a direct interest in 46,123,518 shares of the Company.	No	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No	No
Conflict of interest (including any competing business)	<p>Own shares in concession projects in water and waste industry, but do not hold key positions in those companies.</p> <p>Projects include a water treatment project in Shandong Province, China and 2 water and wastewater projects in Hebei Province, China.</p> <p>To mitigate any potential conflict of interest that may arise in relation to Mr. Wang's appointment as a Director of the Company, he has undertaken to (i) fully disclose any conflict of interest to the Board; and (ii) recusing from participating in the Board's proceedings, deliberations and decision-making where such conflict/potential conflict may indicate it is appropriate to do so and abstaining from voting on that matter.</p>	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
Other Principal Commitments Including Directorships	<p>Past (for the last 5 years)</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - DSG Environment Shandong Limited - Yunnan Water International Limited - Future Investment Enterprise Limited - Hui Ze Water Services (Qing Zhou) Co., Ltd - Hui Ze Water Services (Sishui) Co., Ltd - Hui Ze Water Services (He Ze) Co., Ltd - Future Development Group Limited - Future International Investment Limited - Future Holdings Group Limited - East Sun International Investment Limited - Pan Asia International (Qing Zhou) Co., Limited - Orient Harmony Holdings Limited - Salcon International Limited - Future International Development Group Limited - Dragon Spring Group Co., Ltd - Salcon Linyi Water Services Co, Ltd - Hebei Kay Yuan Cheng He Water Services Engineering Co., Ltd - Xinjiang Xiang Fei Hu Flower Manor Co., Ltd - Qing Zhou Dong Hui Eco-Tourism Co., Ltd 	<p>Past (for the last 5 years)</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - BE Clean Heating Co., Ltd - BE Wind Co., Ltd - Tianjin Futeng Business Management Partnership Enterprise (LLP) - BE Clean Energy (Baotou) Electricity Co., Ltd - BE Clean Energy (Xi'an) Co., Ltd - Shandong Lusa Wind Co., Ltd - Henan BE Smart Energy Investment Co., Ltd - Shandong Wanrong New Energy Co., Ltd - Tianjin Berqing Electricity Smart Energy Co., Ltd - Chendu Beiqing Clean Energy Co., Ltd - BE (Henan) Wind Co., Ltd - BE Qingdian New Energy Co., Ltd. - Lushang-BE Clean Energy Co., Ltd. - Xizang BE Clean Energy Technological Development Co., Ltd. - Laizhou BE Energy Investment Co., Ltd. - Laizhou BE New Energy Development Co. Ltd. - Qingdao Fuhuan Asset Management Co., Ltd. <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Nil 	<p>Past (for the last 5 years)</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - Lightway Corporate Services Pte Ltd - National Volunteer and Philanthropy Centre <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Baker Tilly TFW LLP - NCC Research Fund - NCCS Cancer Fund - Singapore Accountancy Commission <p>Present</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - Anglican Preschool Services Limited - Sitra Holdings Limited - Megachem Limited - Pro Bono SG - Valaston Assurance PAC (Formerly known as Cohen Assurance PAC) <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Valaston Assurance PAC (Formerly known as Cohen Assurance PAC) 	<p>Past (for the last 5 years)</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - PureCircle Ltd (LSE) - SB Global Ventures Pte Ltd - Quanshan Capital Management Pte Ltd - Quanshan Investment & Development (Singapore) Pte Ltd - Quanshan Tourism Development Pte Ltd - Champ Singapore HoldCo Pte Ltd - Champ Buyout III Pte Ltd - Universal Joy Pte Ltd - Huanghe Holdings Pte Ltd - Amaara Healthtec Pte Ltd - Debao Property Development Ltd (SGX) - Wellbeing Healthtech Pte Ltd - Champ Private Equity Pte Ltd - CPEC 8 Holdings Pte Ltd - PT Dexin Steel Indonesia <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - PureCircle Ltd as consultant - Independent non-executive director on the board of listed and private investment companies. Consultant on corporate investment and business strategy 	<p>Past (for the last 5 years)</p> <p><u>Director of:</u></p> <ul style="list-style-type: none"> - AFG Combustion International Pte Ltd - Asia-Europe International Trading Pte Ltd - Bairong Holdings Pte Ltd - Blue Ocean Family Office Pte Ltd - Furong Investments Pte Ltd - Future Dance Pte Ltd - Glorious Cornerstone Investment Holding Pte Ltd - Glorious Wisdom Asset Management Pte Ltd - New Light Capital Pte Ltd - NewID Pte Ltd - Ocean Bleu Capital Pte Ltd <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Committee works

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
	<ul style="list-style-type: none"> - Dragon Spring Technology Development (TianChang) Co., Ltd - Obor Investment Holdings Pte. Ltd <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Nil <p>Present Director of:</p> <ul style="list-style-type: none"> - Future Development Group Limited (Non-Executive) - Future International Investment Limited (Non-Executive) - Future Holdings Group Limited (Non-Executive) - Dragon Spring Technology Development (TianChang) Co., Ltd (Non-Executive) - Subsidiaries of Darco Group <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Nil 	<p>Present Director of:</p> <ul style="list-style-type: none"> - Subsidiaries of Darco Group - Carbonworks Holding Pte Ltd <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Nil 		<p>Present Director of:</p> <ul style="list-style-type: none"> - Char Yong (Dabu) Foundation Ltd - HML Consulting Group Pte Ltd - Playhood Pte Ltd - Cosmic Capital Ltd - Blue Ocean Capital Partners Pte Ltd - PICADS Sdn Bhd - HML Acquisitions Pte Ltd - Casa Holdings Ltd (SGX) - Fantastic Modern Sdn Bhd - Genius Chamber Sdn Bhd - Casa Property Development Sdn Bhd - Darco Water Technologies Ltd - J&T Global Express Limited - mm2 Asia Limited <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Independent non-executive director on the board of listed and private investment companies. Consultant on corporate investment and business strategy 	<p>Present Director of:</p> <ul style="list-style-type: none"> - Bombax Resources Pte Ltd - Free Cloud Pte Ltd - Xoriant Pte Ltd - Corpbond IV Ltd - Corpbond Holdings Pte Ltd - Corpbond Investments Pte Ltd - Best Union Management Pte Ltd - Kakura Dining Pte Ltd - Nutryfarm International Limited - Global Agricapital Holdings Pte Ltd - AI Nova Pte Ltd - Global Agricapital (Thailand) Co., Ltd - Pan Pacific Conservation Foundation Ltd - Shuiheng Trading Pte Ltd <p><u>Principal Commitments:</u></p> <ul style="list-style-type: none"> - Committee works
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner??	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No
c. Whether there is any unsatisfied judgment against him?	No	No	No	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-					
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	Yes Please refer to the Company's announcements released on 18 July 2023 and 27 July 2023 for more details.	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

Details	Name of Director				
	Wang Zhi	Zhang Zhenpeng	Sim Guan Seng	Lai Hock Meng	Niu Liming
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	Yes In 2003, he was subject to a disciplinary enquiry by the Public Accountants Board and was fined. Further, Darco Water Technologies Limited (“DWT”) was issued a notice of compliance by the Singapore Exchange Regulation (the “SGX RegCo”) on 10 September 2021. The notice of compliance was in relation to, inter alia, the SGX RegCo’s request for a detailed report on the status of the proposed investment in the Gaoyi Project. DWT had, on 17 September 2021, complied with the notice of compliance. For further information on the notice of compliance, please refer to the notice of compliance issued by the SGX RegCo dated 10 September 2021 and the Company’s announcement on its responses to the notice of compliance dated 17 September 2021.	Yes Please refer to the Company’s announcements released on 18 July 2023 and 27 July 2023 for more details.	No
Information required Disclosure applicable to the appointment of Director only.					
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
If yes, please provide details of prior experience.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

The directors present their statement to the members together with the audited financial statements of Darco Water Technologies Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2025 and the statement of financial position of the Company as at 31 December 2025.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 65 to 150 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2025 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) 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.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Wang Zhi
 Zhang Zhenpeng
 Sim Guan Seng
 Lai Hock Meng
 Niu Liming (Appointed on 29 April 2025)

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act 1967, none of the directors and chief executive officer holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests		Deemed interests	
	At 1 January 2025	At 31 December 2025	At 1 January 2025	At 31 December 2025
Company				
<i>Ordinary shares</i>				
Wang Zhi	44,659,418	46,123,518	-	154,500

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Directors' interests in shares or debentures (Continued)

By virtue of section 7 of the Singapore Companies Act 1967, Mr. Wang Zhi is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	Deemed interests	
	At 1 January 2025	At 31 December 2025
Wuhan Kaidi Water Services Co., Ltd		
<i>Ordinary shares</i>	36,000,000	36,000,000
Puzer Asia Pte. Ltd.		
<i>Ordinary shares</i>	140,000	140,000
Darco Infraco Vietnam Water Pte. Ltd.		
<i>Ordinary shares</i>	3,848,146	3,848,146
Darco Viet Water Company Limited		
<i>Chartered capital</i>	34,680,000,000	34,680,000,000
Darco Ba Lai Water Supply Limited		
<i>Chartered capital</i>	94,271,801,250	94,271,801,250
Darco Nghe An Company Limited		
<i>Chartered capital</i>	9,000,000,000	9,000,000,000
Darco Ha Tinh Company Limited		
<i>Chartered capital</i>	9,000,000,000	9,000,000,000

The director's deemed interests in the ordinary shares of the Company and its related corporations as at 21 January 2026 were the same as at 31 December 2025.

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Share options

On 6 November 2014, the shareholders of the Company have approved the proposed Darco Performance Share Plan ("Share Plan") as part of a remuneration and compensation plan for attracting as well as retaining executive personnel and Directors.

Directors of the Company and its subsidiaries (including Non-Executive Directors) and Directors and employees of an associated company where the Company has control over the associated company are eligible in the Share Plan.

The number of shares available under the said Share Plan will be subject to the maximum limit of 15% of the Company's total issued shares.

The Share Plan adopted on 6 November 2014 has since expired, and the Company has decided not to renew the Share Plan.

Prior to its expiry, no shares have been granted under the Share Plan.

Audit committee

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

Sim Guan Seng	(Chairman of the Audit Committee and Lead Independent Director)
Lai Hock Meng	(Independent Non-Executive Director)
Niu Liming	(Independent Non-Executive Director) (Appointed on 29 April 2025)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act 1967, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2025 prior to their submission to the Board of Directors, as well as the independent auditor's report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

Audit committee (Continued)

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

WANG ZHI
Director

ZHANG ZHENPENG
Director

2 April 2026

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Darco Water Technologies Limited (“the Company”) and its subsidiaries (“the Group”), set out on pages 65 to 150, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (“the Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2025 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA Code”), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Singapore. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the matter that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. These audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Key Audit Matters (Continued)

Revenue recognition using input method	
<p>Refer to following notes to the financial statements</p> <ul style="list-style-type: none"> - Note 2.3 "Critical accounting estimates and assumptions" - Note 17 "Revenue" 	
The key audit matter	How the matter was addressed in our audit
<p>In the Engineering Projects ("Projects") segment, the Group recognised revenue from its contract revenue over time. Such revenue amounted to \$36.2 million (2024: \$44.2 million) for the current financial year, representing 70% (2024: 75%) of the Group's revenue.</p> <p>Input method (cost method) is used to estimate the progress to complete the performance obligation, and that involves a number of significant estimates and judgements by the management, including:</p> <ul style="list-style-type: none"> • estimating the total contract costs, including the costs to complete the contract; and • appropriately provide for losses in onerous contracts. <p>We focused on this area in view of significant judgements involved in estimating total contract costs, which is susceptible to management bias.</p>	<p>We have discussed with management and project managers to obtain understanding of the nature of the projects. Our key audit procedures in relation to the accuracy of the revenue recognised over time are as summarised below:</p> <ul style="list-style-type: none"> • Examined significant contract revenue and reviewed them to obtain an understanding of the key terms of the contracts and the contract sums; • Reviewed management's conclusion that such contracts fulfil over-time recognition criteria in accordance with SFRS(I) 15 and the choice of method in measuring the progress; • Assessed the design and implementation of the Group's internal controls over the accuracy of allocation of actual costs to the respective contracts; • Assessed the completeness of the total contract costs estimated by management, taking into account the actual costs incurred, estimation of costs to complete, historical accuracy of past estimates in respect of those contracts; • Recalculated management's computation of the progress; and • Discussed with management on potential significant costs overruns which may result in provision for onerous contracts. <p>Based on the results of above procedures, we considered management's judgement in revenue recognition for these contracts as well as the estimation of the progress for completion of performance obligations using input method to be reasonable.</p>

INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Key Audit Matters (Continued)

Impairment of trade receivables and contract assets under SFRS (I) 9	
<i>Refer to following notes to the financial statements</i>	
- Note 2.3 “Critical accounting estimates and assumptions” - Note 9 “Trade and other receivables” and Note 27 (iii) “Credit risk”	
The key audit matter	How the matter was addressed in our audit
<p>The Group has significant trade receivables and contract assets totalling \$49.1 million (2024: \$44.1 million), representing 61% (2024: 56%) of the Group’s total assets as at 31 December 2025.</p> <p>In view of the inherent nature of the industry which the Group operates in, the credit terms and payment history of the Group’s customers may be prolonged, giving rise to an increased risk in the recoverability of trade receivables.</p> <p>The Group determines the allowance for expected credit losses (“ECL”) of trade receivables and contract assets by making debtor specific assessment of overdue trade receivables and establishes a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to those customers and the economic environment of the relevant geographical segment.</p> <p>We focused on this area as significant judgement is involved in determining the ECL allowances, which is susceptible to management bias.</p>	<p>We discussed with management to obtain an understanding of the methodology adopted by management. Our key audit procedures in relation to the ECL allowances are as summarised below:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group’s processes and key controls relating to the monitoring of trade receivables and considering aging profile to identify collection risks; • Assessed the reasonableness of the methodology adopted by management in determining the ECL allowance and the underlying assumptions used by management based on historical credit loss experience and consideration of forward-looking information; • Tested the underlying historical collection and loss experience data by checking, on a sample basis, to the underlying accounting records for payments received and balances written off; and • Reviewed the accuracy of the provision matrix calculation. <p>Based on the results of above procedures, we considered that management’s judgement in the valuation of trade receivables in relation to ECL to be reasonable.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include in the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DARCO WATER TECHNOLOGIES LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and is therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

2 April 2026

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (" \$'000"))

	Note	Group		Company	
		2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	3,099	5,118	45	24
Right-of-use assets	4	755	1,017	114	178
Intangible assets	5	13,532	14,782	-	-
Investment in subsidiaries	6	-	-	16,484	19,484
Deferred tax assets	7	822	834	-	-
Other receivables	9	*	*	-	-
		<u>18,208</u>	<u>21,751</u>	<u>16,643</u>	<u>19,686</u>
Current assets					
Asset held for sale	3	1,251	-	-	-
Inventories	8	2,101	2,061	-	-
Trade and other receivables	9	49,116	47,368	4,914	6,010
Income tax recoverable		209	240	-	-
Cash and cash equivalents	10	9,803	7,955	773	122
		<u>62,480</u>	<u>57,624</u>	<u>5,687</u>	<u>6,132</u>
TOTAL ASSETS		<u>80,688</u>	<u>79,375</u>	<u>22,330</u>	<u>25,818</u>
LIABILITIES					
Current liabilities					
Trade and other payables	11	41,929	35,345	4,419	3,596
Borrowings	12	7,023	4,613	-	-
Lease liabilities	13	510	536	66	63
Other financial liabilities	14	3,307	3,498	-	-
Income tax payable		13	12	-	-
		<u>52,782</u>	<u>44,004</u>	<u>4,485</u>	<u>3,659</u>
Non-current liabilities					
Borrowings	12	-	637	-	-
Other payable	11	3,862	3,937	-	-
Lease liabilities	13	228	526	51	117
Deferred tax liabilities	7	22	22	-	-
		<u>4,112</u>	<u>5,122</u>	<u>51</u>	<u>117</u>
TOTAL LIABILITIES		<u>56,894</u>	<u>49,126</u>	<u>4,536</u>	<u>3,776</u>

* Amount less than \$1,000

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

	Note	Group		Company	
		2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
NET ASSETS		23,794	30,249	17,794	22,042
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	15	76,766	76,766	76,766	76,766
Other reserves	16(a)	(5,020)	(4,895)	-	-
Accumulated losses	16(b)	(47,340)	(42,487)	(58,972)	(54,724)
		24,406	29,384	17,794	22,042
Non-controlling interests	6(c)(ii)	(612)	865	-	-
TOTAL EQUITY		23,794	30,249	17,794	22,042

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

	Note	2025 \$’000	2024 \$’000
Revenue	17	51,407	59,136
Cost of sales		(45,064)	(47,229)
Gross profit		6,343	11,907
Other income	18	653	425
Distribution expenses		(455)	(506)
Administrative expenses		(10,338)	(9,860)
Impairment loss on financial assets	27(iii)	(748)	(21)
Finance costs	19	(1,277)	(1,209)
(Loss) / Profit before income tax	20	(5,822)	736
Income tax expense	22	(38)	(202)
(Loss) / Profit for the financial year		(5,860)	534
Other comprehensive (loss) / income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Currency translation differences arising from consolidation		(595)	127
Other comprehensive (loss) / income, net of tax		(595)	127
Total comprehensive (loss) / income for the financial year		(6,455)	661
(Loss) / Profit attributable to:			
Equity holders of the Company		(4,853)	1,007
Non-controlling interests		(1,007)	(473)
		(5,860)	534
Total comprehensive (loss) / income attributable to:			
Equity holders of the Company		(4,978)	1,268
Non-controlling interests		(1,477)	(607)
		(6,455)	661
(Loss) / Profit per share attributable to equity holders of the Company (cents)			
Basic and diluted	23	(5.17)	1.07

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

	Attributable to equity holders of the Company				Non-controlling interests \$’000	Total equity \$’000
	Share capital \$’000	Other reserves \$’000	Accumulated losses \$’000	Total \$’000		
Balance at 1 January 2025	76,766	(4,895)	(42,487)	29,384	865	30,249
Loss for the financial year	-	-	(4,853)	(4,853)	(1,007)	(5,860)
Other comprehensive loss for the financial year, net of tax	-	(125)	-	(125)	(470)	(595)
- Currency translation differences arising from consolidation						
Total comprehensive loss for the financial year	-	(125)	(4,853)	(4,978)	(1,477)	(6,455)
Balance at 31 December 2025	76,766	(5,020)	(47,340)	24,406	(612)	23,794

Balance at 1 January 2025

Loss for the financial year

Other comprehensive loss for the financial year, net of tax

- Currency translation differences arising from consolidation

Total comprehensive loss for the financial year

Balance at 31 December 2025

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

	Attributable to equity holders of the Company				Total equity \$’000	
	Share capital \$’000	Other reserves \$’000	Accumulated losses \$’000	Total \$’000		Non-controlling interests \$’000
Balance at 1 January 2024	76,766	(5,156)	(43,494)	28,116	1,472	29,588
Profit / (Loss) for the financial year	-	-	1,007	1,007	(473)	534
Other comprehensive income / (loss) for the financial year, net of tax	-	-	-	-	-	-
- Currency translation differences arising from consolidation	-	261	-	261	(134)	127
Total comprehensive income / (loss) for the financial year	-	261	1,007	1,268	(607)	661
Balance at 31 December 2024	76,766	(4,895)	(42,487)	29,384	865	30,249

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

	Note	2025 \$’000	2024 \$’000
Cash flows from operating activities			
(Loss) / Profit before income tax		(5,822)	736
Adjustments:			
Depreciation of property, plant and equipment	3	514	491
Depreciation of right-of-use assets	4	536	471
Amortisation of intangible assets	5	302	324
Gain on disposal of right-of-use assets and property, plant and equipment	18	(242)	(4)
Property, plant and equipment written off	20	421	-
Impairment loss on property, plant and equipment	3	11	-
Impairment loss on financial assets	27(iii)	748	21
Inventories written off	8	152	-
Reversal of provision for slow moving inventories	18	-	(55)
Reversal of provision of unutilised leave	18	(10)	(38)
Interest income	18	(45)	(59)
Finance costs	19	1,277	1,209
Exchange differences, net		(447)	436
Operating (loss) / profit before working capital changes		(2,605)	3,532
Inventories		(164)	443
Trade and other receivables		(2,229)	(10,225)
Trade and other payables		5,814	3,535
Withdrawal / (Placement) of fixed deposits and bank balances pledged, net	10	392	(80)
Intangible assets – Service concession assets	5	(195)	(93)
Cash from / (used in) operations		1,013	(2,888)
Income taxes refunded / (paid)		2	(211)
Net cash from / (used in) operating activities		1,015	(3,099)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

	Note	2025 \$’000	2024 \$’000
Cash flows from investing activities			
Purchase of property, plant and equipment		(197)	(399)
Proceeds from disposal of property, plant and equipment		409	14
Interest received		45	59
		<hr/>	<hr/>
Net cash from / (used in) investing activities		257	(326)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from borrowings	12	4,184	4,292
Repayment of borrowings	12	(3,294)	(3,879)
Repayment of lease liabilities - principal	12	(599)	(466)
Interest paid		(355)	(400)
		<hr/>	<hr/>
Net cash used in financing activities		(64)	(453)
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		1,208	(3,878)
Cash and cash equivalents at beginning of financial year		6,931	10,901
Effect of exchange rate changes on cash and cash equivalents		(151)	(92)
		<hr/>	<hr/>
Cash and cash equivalents at end of financial year	10	7,988	6,931
		<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

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

1. GENERAL INFORMATION

Darco Water Technologies Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The address of the Company’s registered office and its principal place of business is located at 1 Commonwealth Lane #09-06 One Commonwealth, Singapore 149544.

The principal activities of the Company are those of investment holding and acting as a corporate manager and adviser and administrative centre to support business of the Company’s subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6.

The financial statements for the financial year ended 31 December 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 2 April 2026.

2. BASIS OF PREPARATION

2.1. Basis of measurement

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”).

The preparation of the financial statements in conformity with SFRS(I)s requires management to exercise its judgements in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

2.2. Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Singapore dollars (“\$”), which is also the functional currency of the Company. All values are rounded to nearest thousand (\$’000) as indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

2.3. Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group has also considered the market conditions as at the reporting date, in making estimates and judgements as at 31 December 2025. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Contract revenue – measuring progress

The Group recognises revenue from contract revenue over time using the input method. The progress is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs that will affect the measure of progress towards satisfaction of the performance obligations, and to estimate the variable consideration that is not constrained. In making these estimates, management relied on past experiences and the knowledge of the project engineers.

The carrying amounts of contract assets and contract liabilities as at 31 December 2025 are disclosed in Note 17(c).

If the estimated future contract costs to complete major contracts increase / decrease by 10% from management’s estimates, the Group’s revenue and (loss) / profit for the year will decrease / increase by \$1,744,000 (2024: \$1,399,000).

(b) Impairment of financial assets

Impairment allowance for financial assets measured at amortised costs are applied using the ECL model, which requires assumptions of risk of default and expected loss rates. The Group uses judgement in making these assumptions and determining key inputs to the impairment calculation, taking into account the Group’s past history, existing market conditions as well as forward-looking information relating to industry, market development and macroeconomic factors. Expected loss rate is based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, geographical location, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of ECL allowances, key assumptions and inputs used are disclosed in Note 27(iii).

(c) Impairment of goodwill

Impairment exists when the carrying value of an asset or cash-generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the cash-generating unit being tested.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

2. BASIS OF PREPARATION (Continued)

2.3. Critical accounting estimates and assumptions (Continued)

(c) Impairment of goodwill (Continued)

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate included in the budget. The carrying amounts of intangible assets (including goodwill) and further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 5.

(d) Impairment of investment in subsidiaries and CGUs of the Group

The Group conducts impairment assessment of its investments in subsidiaries and CGUs of the Group whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether the subsidiary and CGUs of the Group are impaired requires an estimation of the recoverable amount, which required the Group to estimate the value in use based on future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. An estimate is made of the future profitability of the subsidiary, financial health and business outlook for the subsidiary, including factors such as industry and sector performance and operating cash flows.

During the financial year, management performed impairment testing on the Group’s CGUs namely; (i) the investment in Wuhan Kaidi Water Services Co., Ltd. and (ii) the investment in Darco Ba Lai, including its property, plant and equipment and service concession assets, as disclosed in Note 6. As at 31 December 2025, an impairment loss of \$3,000,000 was recognised in respect of the Company’s investment in Wuhan Kaidi Water Services Co., Ltd. due to weak financial performance. No other impairment losses or material adjustments were recognised in relation to the carrying amounts of the above assets.

2.4. Change in accounting policy

On 1 January 2025, the Group adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS and INT SFRS(I). The adoption of these new or amended SFRS and INT SFRS(I) did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold lands	Freehold buildings	Leasehold lands and buildings	Renovations	Construction in progress	Motor vehicles	Plant and equipment	Total
	\$’000	\$’000	\$’000	\$’000	\$’000	\$’000	\$’000	\$’000
Cost								
As at 1 January 2024	1,368	787	2,646	773	367	979	3,409	10,329
Additions	-	-	-	17	-	-	382	399
Disposals	-	-	-	(10)	-	(41)	(11)	(62)
Currency translation differences	80	46	11	26	21	34	162	380
As at 31 December 2024	1,448	833	2,657	806	388	972	3,942	11,046
As at 1 January 2025	1,448	833	2,657	806	388	972	3,942	11,046
Additions	-	-	-	9	-	8	180	197
Disposals (i)	(70)	(106)	-	-	-	-	-	(176)
Written off (ii)	-	-	-	(113)	(400)	-	(79)	(592)
Reclassification to asset held for sale (ii)	(1,251)	-	-	-	-	-	-	(1,251)
Currency translation differences	63	35	(19)	17	12	21	132	261
As at 31 December 2025	190	762	2,638	719	-	1,001	4,175	9,485

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold lands	Freehold buildings	Leasehold lands and buildings	Renovations	Construction in progress	Motor vehicles	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation								
As at 1 January 2024	-	312	888	673	-	684	2,736	5,293
Charge for the financial year (Note 20)	-	17	111	34	-	69	260	491
Disposals	-	-	-	(5)	-	(39)	(7)	(51)
Currency translation differences	-	18	3	21	-	27	126	195
As at 31 December 2024	-	347	1,002	723	-	741	3,115	5,928
As at 1 January 2025	-	347	1,002	723	-	741	3,115	5,928
Charge for the financial year (Note 20)	-	16	110	36	-	64	288	514
Disposals (i)	-	(26)	-	-	-	-	-	(26)
Written off	-	-	-	(92)	-	-	(79)	(171)
Impairment	-	-	-	-	-	-	11	11
Currency translation differences	-	14	(9)	13	-	10	102	130
As at 31 December 2025	-	351	1,103	680	-	815	3,437	6,386
Net carrying amount								
As at 31 December 2025	190	411	1,535	39	-	186	738	3,099
As at 31 December 2024	1,448	486	1,655	83	388	231	827	5,118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars ("'\$'000"))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Renovation \$'000	Plant and equipment \$'000	Total \$'000
Cost			
As at 1 January 2024	10	25	35
Additions	12	8	20
Disposals	(9)	(8)	(17)
As at 31 December 2024	13	25	38
As at 1 January 2025	13	25	38
Additions	-	37	37
As at 31 December 2025	13	62	75
Accumulated depreciation			
As at 1 January 2024	2	9	11
Charge for the financial year	4	9	13
Disposals	(5)	(5)	(10)
As at 31 December 2024	1	13	14
As at 1 January 2025	1	13	14
Charge for the financial year	4	12	16
As at 31 December 2025	5	25	30
Net carrying amount			
As at 31 December 2025	8	37	45
As at 31 December 2024	12	12	24

- (i) On 14 May 2025, the Group entered into a sale and purchase agreement for the disposal of a freehold industrial land with a single storey semi-detached factory (the "Factory") for a consideration of RM1,300,000, approximately \$413,000. Following the disposal, the Factory was derecognised and the resulting gain on disposal has been recognised under other income (Note 18).
- (ii) On 23 July 2025, the Group entered into a sale and purchase agreement for the disposal of a parcel of land (the "Land") for a consideration of RM4,562,568, approximately \$1,448,000. Accordingly, the Land was reclassified from property, plant and equipment under non-current assets to assets held for sale under current assets in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. In connection with the proposed disposal, the related construction-in-progress amounting to \$400,000 was written off during the financial year.

Assets pledged as security

The Group's freehold lands, freehold buildings and leasehold lands and buildings, including assets classified as held for sale, with an aggregate carrying amount of \$2,099,000 (2024: \$2,180,000) are mortgaged to banks in Malaysia to secure the Group's bank loans and banking facilities (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

The properties held by the Group as at 31 December 2025 and 31 December 2024 are as follows:

Location	Description	Gross land area (sqm)	Gross built-in area (sqm)	Remaining tenure	Use of property
Malaysia					
Lot 10645, Jalan Permata 1/6, Arab Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan Darul Khusus, Malaysia (A)	Freehold land and building	4,572	1,576	Freehold	Office, factory and warehouse
Lot 16681 in Mukim Setul, District Seremban, 71800 Nilai, Negeri Sembilan, Malaysia (B)	Freehold land	5,233	-	Freehold	Office, factory and warehouse
Lot No. 6546, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Leasehold land and building	1,009	1,083	Ending on 30 September 2045	Office, factory and warehouse
Lot No. 6547, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang, Malaysia	Leasehold land and building	1,009	911	Ending on 30 September 2045	Office, factory and warehouse
Lot 16140, No.117, Jalan Nilai 3/12, Kawasan Perindustrian Nilai 3, 71800 Nilai, Negeri Sembilan, Malaysia*	Freehold land and building	669	446	Freehold	Factory
The People’s Republic of China (“PRC”)					
Building 20, Guanggu Witpark, Financial Harbour 1st Road, Guanggu Road, East Lake New-Tech Development Zone, Wuhan, Hubei, PRC	Leasehold land and building	431	1,494	Ending on 11 March 2061	4-storey office and warehouse

(A) The Factory was disposed by the Group during the financial year ended 31 December 2025, following the announcement made on 14 May 2025.

(B) The proposed disposal of the Land was announced on 24 July 2025. As at 31 December 2025, the Land was classified as an asset held for sale.

Material accounting policy

All items of property, plant and equipment are initially recorded at cost. Freehold lands and construction in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets less the estimated residual value over their estimated useful lives as follows:

	<u>Useful lives (Years)</u>	<u>Estimated residual value as a percentage of cost (%)</u>
Freehold buildings	50	-
Leasehold lands and buildings	20 to 50	0% - 5%
Renovations	3 to 5	-
Motor vehicles	5	0% - 5%
Plant and equipment	3 to 10	0% - 5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

4. RIGHT-OF-USE ASSETS

Group	Leasehold lands	Motor vehicles	Leasehold properties	Plant and equipment	Total
	\$’000	\$’000	\$’000	\$’000	\$’000
Cost					
As at 1 January 2024	159	100	1,944	19	2,222
Increase arising from lease modifications	-	-	8	-	8
Additions	-	-	790	19	809
Expiry / Early Termination	-	-	(188)	(19)	(207)
Currency translation differences	10	6	44	-	60
As at 31 December 2024	169	106	2,598	19	2,892
As at 1 January 2025	169	106	2,598	19	2,892
Additions	-	71	200	-	271
Expiry / Early Termination	-	(110)	(251)	-	(361)
Currency translation differences	7	4	52	-	63
As at 31 December 2025	176	71	2,599	19	2,865
Accumulated depreciation					
As at 1 January 2024	54	100	1,389	12	1,555
Charge for the financial year (Note 20)	3	-	465	3	471
Expiry / Early Termination	-	-	(183)	(12)	(195)
Currency translation	3	6	35	-	44
As at 31 December 2024	60	106	1,706	3	1,875
As at 1 January 2025	60	106	1,706	3	1,875
Charge for the financial year (Note 20)	3	-	529	4	536
Expiry / Early Termination	-	(106)	(231)	-	(337)
Currency translation	3	-	33	-	36
As at 31 December 2025	66	-	2,037	7	2,110
Net carrying amount					
As at 31 December 2025	110	71	562	12	755
As at 31 December 2024	109	-	892	16	1,017

The Group leases several assets such as leasehold lands, leasehold properties, plant and equipment and motor vehicles. The lease term ranges from 1 to 6 years (2024: 2 to 6 years). Except for restrictions on sub-leasing, there are no restrictions or covenants imposed by the lease contracts. The corresponding lease liabilities are disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

4. RIGHT-OF-USE ASSETS (Continued)

Company	Leasehold property
	\$’000
Cost	
As at 1 January 2024	84
Additions	194
Expiry	(84)
	194
Accumulated depreciation	
As at 1 January 2024	56
Charge for the financial year	44
Expiry	(84)
	16
As at 31 December 2024	16
As at 1 January 2025	16
Charge for the financial year	64
	80
As at 31 December 2025	80
Net carrying amount	
As at 31 December 2025	114
As at 31 December 2024	178

The Company leases an office premise with lease term of 3 years (2024: 3 years). Except for restrictions on sub-leasing, there are no restrictions or covenants imposed by the lease contracts. The corresponding lease liabilities are disclosed in in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

5. INTANGIBLE ASSETS

Group	Service concession assets \$’000	Goodwill on Consolidation (Note B) \$’000	Computer software and others \$’000	Total \$’000
Cost				
As at 1 January 2024	14,547	905	170	15,622
Additions	93	-	-	93
Currency translation differences	(283)	-	-	(283)
As at 31 December 2024	14,357	905	170	15,432
As at 1 January 2025	14,357	905	170	15,432
Additions	195	-	-	195
Currency translation differences	(1,187)	-	(2)	(1,189)
As at 31 December 2025	13,365	905	168	14,438
Accumulated amortisation				
As at 1 January 2024	191	-	136	327
Amortisation for the financial year (Note 20)	317	-	7	324
Currency translation differences	(1)	-	-	(1)
As at 31 December 2024	507	-	143	650
As at 1 January 2025	507	-	143	650
Amortisation for the financial year (Note 20)	296	-	6	302
Currency translation differences	(44)	-	(2)	(46)
As at 31 December 2025	759	-	147	906
Net carrying amount				
As at 31 December 2025	12,606	905	21	13,532
As at 31 December 2024	13,850	905	27	14,782

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

5. INTANGIBLE ASSETS (Continued)

Note A: Service Concession Assets

Service concession assets refer to the concession project of the Vietnam subsidiary, Darco Ba Lai Water Supply Limited, to supply drinking water in Ben Tre Province of Vietnam for a concession period of 50 years commencing from July 2017 (“Ba Lai Project”). The service concession assets are mortgaged to the banks in Vietnam to secure the Group’s bank loans and banking facilities (Note 12). The service concession assets form part of the CGU of Darco Ba Lai and were assessed in the impairment testing based on the valuation performed by the independent valuer as disclosed in Note 6.

Material accounting policy – service concession asset

The Group recognises an intangible asset arising from a service concession arrangement when it has the license to give them the right to charge users for the public service. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when the Group has a right to charge the public for the usage of the infrastructure to the end of the concession period. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 49 years. The remaining useful life of Ba Lai Project concession is 43 years (2024: 44 years).

Amortisation

Amortisation expenses included in the profit or loss are analysed as follows:

	Group	
	2025	2024
	\$’000	\$’000
Cost of sales (Note 20)	302	324

Note B: Goodwill

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the Group’s CGU that is expected to benefit from that business combination. The carrying amount of goodwill after impairment is as follows:

	2025	2024
	\$’000	\$’000
Singapore - PV Vacuum Engineering Pte. Ltd. (“PV”)	905	905

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

5. INTANGIBLE ASSETS (Continued)

Note B: Goodwill (Continued)

Goodwill relates to PV Vacuum Engineering Pte. Ltd. (“PV”), which is included in the Group’s “Project” segment. The recoverable amount of the CGU is determined based on a value-in-use calculation.

In determining the value-in-use, the Group prepares cashflow projections based on the most recent financial budgets approved by the management covering a five-year period. Key assumptions used in the estimation include revenue growth rate, budgeted gross margins, and the pre-tax discount rate applied to the projected cash flows.

Municipal projects

Revenue from municipal projects and subsequent maintenance income is budgeted based on secured and estimated contract values for tender projects that PV is confident of securing as at reporting date. Management expects that PV will continue to be awarded with contracts with similar contract sum on an annual basis as achieved in historical track records. Budgeted gross margin is based on historical track records for the past 5 years (2024: 5 years).

Industrial

Management expects that PV will be able to achieve annual organic growth rate of 5% (2024: 5%) in the next 5 years for vacuum system projects of industrial customers, which is consistent with the industry growth rate forecast. Gross margin is budgeted based on the historical track records for the past 5 years (2024: 5 years).

The discount rate of 6.3% (2024: 6.0%) used is pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

Sensitivity to changes in assumptions

Management is confident that PV will be able to continue to secure municipal projects having established track records with its existing projects and expects PV to achieve revenue from municipal projects based on average revenue for the past 5 years (2024: 5 years). With such budget and expectation, management believes that no reasonably possible changes in any of the above key assumptions individually or in combination would cause the recoverable amount of the CGU to be materially lower than its carrying amount. Further, in extrapolating the cash flows beyond the budget periods, the management assumed zero growth rate for purpose of impairment testing on a prudent basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2025 \$’000	2024 \$’000
Unquoted equity shares, at cost		
At beginning and at end of the financial year	23,172	23,172
Less: Impairment losses		
At beginning of the financial year	(3,688)	(3,536)
Add: Impairment loss ^{(a)(i)}	(3,000)	(152)
At end of the financial year	(6,688)	(3,688)
Net carrying amount	16,484	19,484

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2025 %	2024 %
Held by the Company				
Darco Engineering Pte. Ltd. ⁽¹⁾	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business	Singapore	100	100
Darco Water Systems Sdn. Bhd. (“DWS”) ⁽²⁾	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business and trading in related industrial products	Malaysia	100	100
PV Vacuum Engineering Pte. Ltd. ⁽¹⁾	Design and supply of environmental related equipment, centralised vacuum systems, refuse conveying system and any other engineering systems making use of vacuum technologies	Singapore	100	100
Darco Infracore Vietnam Water Pte. Ltd. ⁽¹⁾	Investment holding	Singapore	51	51

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

6. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows (Continued):

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2025 %	2024 %
Held by the Company (Continued)				
Wuhan Kaidi Water Services Co., Ltd. ⁽²⁾	Provision of comprehensive and integrated engineering solutions for water purification, water supply and wastewater treatment	PRC	72	72
Darco Environment Vietnam Co. Ltd. ⁽³⁾	Investment holding, design and fabrication of water treatment systems and providing consultancy services in relation to such business	Vietnam	100	100
Held by Darco Engineering Pte. Ltd.				
Shanghai Darco Engineering Co., Ltd. ⁽⁴⁾	Design and fabrication of water treatment systems and provision of consultancy services in relation to such business	PRC	100	100
Held by Darco Water Systems Sdn. Bhd.				
Darco Industrial Water Sdn. Bhd. ⁽²⁾	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	Malaysia	100	100
WWMG Environmental Sdn. Bhd. ⁽²⁾	Investment holding	Malaysia	100	100
Ness Plus Trading Sdn. Bhd. ⁽²⁾	Designing, fabricating and constructing pure and waste water treatment plants and trading in related industrial products	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

6. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows (Continued):

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interests	
			2025 %	2024 %
Held by Darco Industrial Water Sdn. Bhd.				
Grober Industrial Services Sdn. Bhd. ⁽²⁾	Supplying of all kinds of industrial equipment and industrial services	Malaysia	100	100
Held by PV Vacuum Engineering Pte. Ltd.				
Puzer Asia Pte. Ltd. ⁽¹⁾	Trading in vacuum cleaning systems and provision of related services	Singapore	56	56
Held by Darco Infraco Vietnam Water Pte. Ltd.				
Darco Viet Water Company Limited ⁽³⁾	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	Vietnam	100	100
Held by Darco Viet Water Company Limited				
Darco Ba Lai Water Supply Limited ^{(3) (5)}	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	Vietnam	95	95
Darco Nghe An Company Limited ⁽³⁾	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	Vietnam	90	90
Darco Ha Tinh Company Limited ⁽³⁾	Design and fabrication of water treatment systems and providing consultancy services in relation to such business	Vietnam	90	90

(1) Audited by Crowe Horwath First Trust LLP, Singapore.

(2) Audited by member firms of Crowe Global in the respective countries.

(3) Audited by BDO Audit Services Company Limited, Vietnam.

(4) Audited by Shanghai Gaoren Certified Public Accountants, PRC.

(5) Pledged to obtain loan to finance construction and construction related activities in the Ba Lai Project (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Singapore dollars (“\$’000”))

6. INVESTMENT IN SUBSIDIARIES (Continued)

(a) Impairment assessment

Darco Environment Vietnam Co. Ltd

Management performed an impairment assessment of the Company’s investment in Darco Environment Vietnam Co. Ltd as the subsidiary has been incurring losses. The cost of investment of \$812,000 was fully impaired in the previous financial year.

Wuhan Kaidi Water Services Co., Ltd. (“WHKD”)

Management prepared a five-year cash flow projection for investment in WHKD in view of its weak financial performance. Based on management’s assessment, the recoverable amount of the investment, determined using a value-in-use approach, was below its carrying amounts. The key assumptions used in the calculation include an expected revenue growth rate of 5% per annum, the probability of securing new projects, and a pre-tax discount rate of 7.2%, reflecting the time value of money and risks specific to WHKD. Accordingly, an impairment loss of \$3,000,000 was recognised during the financial year.

Sensitivity analysis

Management has performed sensitivity analysis of the expected revenue growth rate per annum and discount rate:

	Changes in rate	Effect on the impairment: increase / (decrease) \$’000
Expected revenue growth per annum	+1%	(1,073)
	-1%	1,073
Discount rate	+1%	771
	-1%	(771)

Darco Ba Lai Water Supply Limited (“Darco Ba Lai”)

For the financial year ended 31 December 2025, the Group engaged an independent valuer to perform an impairment assessment of its investment in Darco Ba Lai, in order to estimate its recoverable amount based on value-in-use. Based on the independent valuation report, the recoverable amount of Darco Ba Lai exceeds its carrying amount. Accordingly, no impairment loss was recognised during the financial year.

No reasonably possible changes to the above assumptions will result in impairment loss based on management’s best estimate. Therefore, no sensitivity analysis was prepared.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

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6. INVESTMENT IN SUBSIDIARIES (Continued)

(b) Interest in subsidiaries with Non-Controlling Interests (“NCI”)

(i) The Group has the following subsidiaries with NCI:

Name of subsidiary	Proportion (%) of ownership interests and voting rights held by NCI	
	2025	2024
	%	%
<u>With material NCI</u>		
Wuhan Kaidi Water Services Co., Ltd (“WHKD”)	28	28
Darco Infracore Vietnam Water Pte. Ltd. (“DIVW”) and its subsidiaries	49	49
<u>With immaterial NCI</u>		
Puzer Asia Pte. Ltd.	44	44
(ii) The carrying values of NCI are as follow:		
	2025	2024
	\$’000	\$’000
WHKD	626	924
DIVW and its subsidiaries	(1,252)	(73)
Other subsidiaries with immaterial NCI	14	14
Total	(612)	865

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
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6. INVESTMENT IN SUBSIDIARIES (Continued)

(b) Interest in subsidiaries with Non-Controlling Interests (“NCI”) (Continued)

(iii) The following summarises the financial information of WHKD and DIVW and its subsidiaries, based on its financial statements prepared in accordance with SFRS(I), modified for fair value adjustment on acquisition.

	WHKD		DIVW and its subsidiaries	
	2025	2024	2025	2024
	\$’000	\$’000	\$’000	\$’000
Revenue	20,277	18,771	380	199
(Loss) / Profit for the financial year	(1,025)	435	(1,445)	(1,171)
Other comprehensive loss	(40)	(5)	(931)	(297)
Total comprehensive (loss) / income	(1,065)	430	(2,376)	(1,468)
Attributable to NCI:				
- (Loss) / Profit for the financial year	(287)	122	(708)	(574)
- Other comprehensive loss	(11)	(2)	(471)	(150)
Total comprehensive (loss) / income	(298)	120	(1,179)	(724)
Non-current assets	2,172	2,316	12,627	13,880
Current assets	31,174	27,840	871	1,689
Non-current liabilities	-	-	(3,862)	(3,937)
Current liabilities	(31,596)	(27,340)	(4,305)	(4,527)
Net assets	1,750	2,816	5,331	7,105
Accumulated NCI of the subsidiaries at end of financial year				
	626	924	(1,252)	(73)
Cash flows from / (used in) operating activities	3,411	(872)	(205)	(732)
Cash flows used in investing activities	(10)	(2)	-	(4)
Cash flows (used in) / from financing activities	(1,681)	307	(99)	(153)

(iv) Significant restrictions

The nature and extent of significant restriction of the Group’s ability to use or access assets and settle liabilities of subsidiaries with material NCI is as follows:

Cash and cash equivalents of WHKD as at 31 December 2025 held in PRC are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends. Refer to Note 10 for further details.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Singapore dollars (“\$’000”))

6. INVESTMENT IN SUBSIDIARIES (Continued)

(b) Interest in subsidiaries with Non-Controlling Interests (“NCI”) (Continued)

(v) Acquisition of 49% of DIVW

On 19 December 2025, the Company entered into a Sale and Purchase Agreement (“SPA”) with InfraCo VietAqua Pte. Ltd. (“InfraCo”) for the acquisition of an aggregate of 3,697,670 ordinary shares in the share capital of DIVW, representing 49% of the issued and paid-up share capital of DIVW (“Acquisition”) for an aggregate consideration of approximately US\$3,640,085, approximately \$4,724,000 (“Consideration”) in three tranches. The acquisition is further subject to the fulfilment of certain conditions precedent, which includes, *inter-alia*, shareholders’ approval at an Extraordinary General Meeting (“EGM”), the transfer of shares and settlement of Consideration in three tranches. Subsequent to the reporting date, the shareholders approved the acquisition at an EGM on 27 February 2026, and the parties agreed to extend the completion of the first tranche by 21 April 2026.

7. DEFERRED TAX ASSETS / (LIABILITIES)

	Group	
	2025 \$’000	2024 \$’000
At beginning of the financial year	812	814
Currency translation differences	(12)	(2)
At end of the financial year	800	812
Presented as follows:		
Deferred tax assets	822	834
Deferred tax liabilities	(22)	(22)
	800	812

The components and movement of deferred tax assets and liabilities during the financial year are as follows:

	Deferred tax assets \$’000	Deferred tax liabilities \$’000	Total \$’000
2025			
At beginning of the financial year	834	(22)	812
Currency translation differences	(12)	-	(12)
At end of the financial year	822	(22)	800
2024			
At beginning of the financial year	836	(22)	814
Currency translation differences	(2)	-	(2)
At end of the financial year	834	(22)	812

NOTES TO THE FINANCIAL STATEMENTS

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7. DEFERRED TAX ASSETS / (LIABILITIES) (Continued)

Deferred tax assets mainly comprise of impairment loss on financial assets and deferred tax liabilities mainly comprise of tax over book depreciation.

Deferred tax assets have not been recognised in respect of the following:

Group	2025	2024	Jurisdiction	Expiring year
	\$’000	\$’000		
Unabsorbed tax losses	9,577	7,676	Singapore	Indefinite
*Unabsorbed tax losses arising from financial year of:				
- 2020	-	104	PRC / Vietnam	2025
- 2021	1,983	2,006	PRC / Vietnam	2026
- 2022	3,050	3,140	PRC / Vietnam	2027
- 2023	1,000	1,089	PRC / Vietnam	2028
- 2024	893	979	PRC / Vietnam	2029
- 2025	2,665	-	PRC / Vietnam	2030
	9,591	7,318		
**Unabsorbed tax losses arising from financial year of:				
- 2019	186	178	Malaysia	2029
- 2020	45	43	Malaysia	2030
- 2021	408	391	Malaysia	2031
- 2023	2,725	2,613	Malaysia	2033
- 2025	775	-	Malaysia	2035
	4,139	3,225		
	23,307	18,023		
Unabsorbed capital allowances	249	-	Malaysia Singapore / Malaysia /	Indefinite
Provisions	2,716	1,681	Vietnam Malaysia /	Indefinite
Tax over book depreciation	(435)	(477)	Singapore	Indefinite
	25,837	16,198		

* The tax losses expired at the end of 5 years from the respective years in which the losses are recorded.

** The tax losses expired at the end of 10 years from the respective years in which the losses are recorded.

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7. DEFERRED TAX ASSETS / (LIABILITIES) (Continued)

Deferred tax assets have not been recognised in respect of the following (Continued):

Company	2025	2024	Jurisdiction	Expiring year
	\$’000	\$’000		
Provisions	31	22	Singapore	Indefinite
Unabsorbed tax losses	6,122	4,678	Singapore	Indefinite
	<u>6,153</u>	<u>4,700</u>		

The unabsorbed tax losses, capital allowances and other deductible temporary differences that can be carried forward and used to offset against future taxable income are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries. Deferred tax assets have not been recognised in respect of these items due to the uncertainty of their recoverability in the foreseeable future.

8. INVENTORIES

	Group	
	2025	2024
	\$’000	\$’000
Raw materials	820	946
Trading goods	1,281	1,115
	<u>2,101</u>	<u>2,061</u>

The cost of inventories recognised as expense and included in “cost of sales” amounted to \$964,000 (2024: \$1,907,000).

Inventories of \$152,000 (2024: \$Nil) have been written off during the financial year, and the amount was recognised as an expense in profit or loss (Note 20).

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9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
Current				
Trade receivables:				
- Third parties ⁽ⁱ⁾	20,515	26,734	-	-
Less: Allowance for impairment losses (Note 27(iii))	(4,751)	(3,538)	-	-
Trade receivables, net (Note 17(c))	15,764	23,196	-	-
Contract assets ⁽ⁱⁱ⁾	33,045	25,401	-	-
Less: Allowance for impairment losses (Note 27(iii))	(3,150)	(4,460)	-	-
Contract assets, net (Note 17(c))	29,895	20,941	-	-
Other receivables (Note 27(iii)):				
- Third parties ⁽ⁱⁱⁱ⁾	4,244	4,022	937	940
- Subsidiaries (non-trade) ^(iv)	-	-	5,692	6,779
	4,244	4,022	6,629	7,719
Less: Allowance for impairment losses (Note 27(iii))				
- Third parties ⁽ⁱⁱⁱ⁾	(3,294)	(2,634)	(937)	(937)
- Subsidiaries (non-trade)	-	-	(833)	(859)
Other receivables, net	950	1,388	4,859	5,923
Refundable deposits ^(v)	1,524	1,707	934	961
Less: Allowance for impairment losses (Note 27(iii))	(906)	(906)	(906)	(906)
Refundable deposits, net	618	801	28	55
Staff loans ^(vi)	4	10	-	-
Advances to suppliers	1,392	765	-	-
Prepayments and other advances	113	205	18	24
GST / VAT receivables	380	62	9	8
	49,116	47,368	4,914	6,010

⁽ⁱ⁾ Trade receivables

Trade receivables are non-interest bearing with credit term of 30 to 90 days (2024: 30 to 90 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

9. TRADE AND OTHER RECEIVABLES (Continued)

(ii) Contract assets

Included in contract assets are retention sums of RMB10,287,000, equivalent to approximately \$1,887,000 (2024: RMB12,575,000 equivalent to approximately \$2,341,000).

(iii) Other receivables

Group and Company

This relates to an amount due from a third party company arising from an aborted acquisition of an entity in Vietnam. In view of the age profile, the risk of default and absence of collateral, management has concluded that the balance of US\$684,000 (equivalent to approximately \$937,000) remains fully impaired as at 31 December 2025.

Group

The gross amount of other receivables from third parties include a balance of RMB2,900,000, equivalent to approximately \$532,000 (2024: RMB2,900,000, equivalent to approximately \$540,000), due from a customer in the Group’s “Projects” segment in the PRC which was fully impaired in prior financial years. In view of the age profile, the risk of default and the absence of collateral, management has concluded that the balance remains fully impaired as at 31 December 2025.

(iv) Subsidiaries (non-trade)

These are unsecured, interest-free and repayable on demand.

(v) Refundable deposits

Group and Company

The gross amount of refundable deposits include a balance of US\$685,000 equivalent to approximately \$906,000 (2024: US\$685,000 equivalent to approximately \$906,000) pertained to a refundable deposit paid as part-payment under a framework agreement entered into by the Group and a counterparty (“Vendor”) with the intention to acquire 90% equity interest in a company in Vietnam. In 2020, the Group concluded not to proceed with the acquisition and on 27 April 2020, the Group entered into an agreement with the Vendor to refund the deposits over 66 monthly instalments commencing June 2020. On 25 November 2020, the Group entered into a deed of settlement with the Vendor to revise the repayment term to refund the remaining deposit over 48 monthly instalments commencing January 2021. The amount is guaranteed by an individual, who is a shareholder of the Vendor.

In view of the default in instalment payment, the Group recognised an impairment loss of \$906,000 in prior financial years and this balance remains fully impaired as at 31 December 2025.

(vi) Staff loans

These are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
Cash at bank and on hand	9,283	6,601	773	122
Fixed deposits ⁽ⁱ⁾	520	1,354	-	-
Cash and cash equivalents as per statements of financial position	9,803	7,955	773	122
Less: Fixed deposits pledged	(349)	(513)		
Less: Bank balances pledged	(172)	(396)		
	(521)	(909)		
Less: Bank overdraft (Note 12)	(1,294)	(115)		
Cash and cash equivalents as per consolidated statement of cash flows	7,988	6,931		

(i) Fixed deposits of the Group bear interest rates ranging from 2.35% to 2.80% (2024: 1.5% to 2.70%) per annum and have a maturity period ranging from 4 to 10 months (2024: 1 to 10 months) from the reporting date. As the principal value of the deposits is readily convertible to cash without significant loss in value, they form part of the cash and cash equivalents in the consolidated statements of cash flows.

The movement in pledged fixed deposits and bank balances:

	Group	
	2025 \$’000	2024 \$’000
At beginning of the financial year	909	791
Placement of pledged bank balances	170	99
Withdrawal of pledged fixed deposits and bank balances	(562)	(19)
Currency translation differences	4	38
At end of the financial year	521	909

These amounts are pledged as collateral for the performance, banker and tender guarantees granted by the banks.

As at 31 December 2025, the Group has bank balances placed with banks in PRC denominated in Chinese Renminbi (“RMB”) amounting to RMB20,798,000 equivalent to \$3,816,000 (2024: RMB11,868,000 equivalent to \$2,209,000). The RMB is not freely convertible into foreign currencies. Under PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
Trade payables:				
- Third parties	24,172	20,228	-	-
Contract liabilities (Note 17(c))	11,563	9,316	-	-
Other payables:				
- Third parties	1,259	1,146	178	82
- Subsidiaries (non-trade) ⁽ⁱ⁾	-	-	1,231	1,128
- NCI (non-trade) ⁽ⁱ⁾	2,756	2,118	2,756	2,118
Accruals	1,939	1,830	254	268
GST payables	240	707	-	-
	41,929	35,345	4,419	3,596
Non-current liabilities:				
Other payable ⁽ⁱⁱ⁾	3,862	3,937	-	-
	45,791	39,282	4,419	3,596

⁽ⁱ⁾ Amount due to subsidiaries and NCI (non-trade) are unsecured, interest-free and repayable on demand.

⁽ⁱⁱ⁾ Other payable refers to a viability grant fund (“VGF Grant”) which was approved in May 2021, as provided by the Private Infrastructure Development Group (an innovative infrastructure development and finance organisation funded by six governments and the International Finance Corporation) to finance construction and construction related activities in the Ba Lai Project. The VGF Grant of US\$2,700,000 is made available to the Company via a Shareholder Loan from its NCI, InfraCo Vietaqua Pte. Ltd. (“InfraCo”).

The benefit of VGF Grant at a zero-interest rate is the difference between the fair value of VGF Grant on initial recognition measured using market interest rate of loan with similar maturity profile and security amounting to \$2,713,000 (2024: \$2,840,000) and the amount received amounting to US\$2,700,000 (2024: US\$2,700,000) (equivalent to approximately \$3,504,000 (2024: \$3,668,000)). As VGF Grant relates to an asset, the benefit of \$791,000 (2024: \$828,000) is recognised as deferred grant as part of other payable above and is amortised to profit or loss amounting to \$18,000 (2024: \$18,000) over a systematic basis over the expected useful life of the relevant service concession asset (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

12. BORROWINGS

Group		Current	Non-current	Total
		\$’000	\$’000	\$’000
2025				
<u>Secured</u>	<u>Final maturity</u>			
Bank overdraft (Note 10)	On demand	1,294	-	1,294
Term loan II ⁽ⁱ⁾	30 April 2034	614	-	614
Term loan IV ⁽ⁱ⁾	5 March 2033	1,914	-	1,914
Term loan V ⁽ⁱ⁾	11 April 2025	183	-	183
Revolving credit	1 January 2026	500	-	500
Banker acceptances	27 February 2026	238	-	238
Trust receipts ⁽ⁱⁱ⁾		2,280	-	2,280
		<u>7,023</u>	<u>-</u>	<u>7,023</u>
2024				
<u>Secured</u>	<u>Final maturity</u>			
Bank overdraft (Note 10)	On demand	115	-	115
Term loan I ⁽ⁱ⁾	26 November 2032	7	50	57
Term loan II ⁽ⁱ⁾	30 April 2034	59	587	646
Term loan III ⁽ⁱ⁾	11 September 2025	157	-	157
Term loan IV ⁽ⁱ⁾	5 March 2033	2,192	-	2,192
Term loan V ⁽ⁱ⁾	11 April 2025	329	-	329
Trust receipts ⁽ⁱⁱ⁾		1,754	-	1,754
		<u>4,613</u>	<u>637</u>	<u>5,250</u>

(i) Term Loans I and II are secured by pledges over the Group’s freehold lands, freehold buildings and leasehold lands and buildings (Note 3 and Note 4). In addition, the Company has provided corporate guarantees in respect of Term Loans I, II and III.

During the financial year ended 31 December 2025, the Group disposed of the Factory that had previously secured Term Loan I (Note 3). Upon completion of the disposal, the outstanding balance of Term Loan I was fully repaid.

Term Loan II, a 15-year loan obtained by DWS to finance the acquisition of leasehold land and operational cash flow purposes, was repayable in 99 monthly instalments as at the financial year end. The Land securing Term loan II was classified as an asset held for sale as at 31 December 2025 following the proposed disposal announced on 24 July 2025 (Note 3). Accordingly, the loan has been presented as a current liability as at 31 December 2025.

Term Loan III, a 3-year loan obtained by PV to finance working capital, was repayable in 24 monthly instalments commencing on the first anniversary of drawdown. The loan was fully repaid during the financial year ended 31 December 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars ("S\$'000"))

12. BORROWINGS (Continued)

- (i) Term Loan IV, a 10-year loan obtained by Darco Ba Lai to finance construction and construction-related activities for the Ba Lai Project, was repayable in 40 quarterly instalments commencing on the second anniversary of drawdown. The loan is secured by a pledge over the assets and shares of Darco Ba Lai. As announced on 25 February 2025, Darco Ba Lai did not meet certain financial covenants relating to its bank borrowings that are required to be maintained at each financial year. As at 31 December 2025, the total outstanding bank borrowings of \$1,914,000, including \$1,719,000 that was originally repayable after one year, have been reclassified from non-current to current liabilities. The Company is in discussions with the banker to remedy the non-fulfilment of the covenants and to obtain a waiver for the same. As at the date of this report, the bank has not demanded full repayment of the outstanding borrowings.

Term Loan V, a working capital loan obtained by WHKD, is secured by a pledge over the trade receivables of WHKD.

- (ii) Trust receipts are drawn for a period ranging from 45 to 180 days (2024: 14 to 180 days) and bear effective interest rates ranging from 3.60% to 7.02% (2024: 4.25% to 7.61%) per annum. The trust receipts are secured by way of a corporate guarantees provided by the Company.

Bank overdrafts (Floating rate)

The bank overdrafts are secured by a mortgage over the freehold land and building of a subsidiary and by a corporate guarantee provided by the Company, and bear an effective interest rate of 7.45% (2024: 7.70%) per annum.

Revolving credit (Floating rate)

The revolving credit facility was obtained by PV to finance its working capital requirements with a corporate guarantee provided by the Company. The facility is rolled over on a monthly basis and bears an effective interest rate of 3.55% per annum.

Banker Acceptances (Fixed rate)

The banker acceptances were obtained by DWS to finance its working capital requirements with a corporate guarantee provided by the Company. The facilities are drawn for a period ranging from 88 to 90 days and bear effective interest rates ranging from 3.40% to 3.44% per annum.

Term loans

The term loans bear the interest rates as follows:

	Interest rate (per annum)	Group	
		2025	2024
Term loan I	Base Lending Rate - 2.1%	4.35%	4.60%
Term loan II	Base Lending Rate - 2.3%	4.42%	4.40%
Term loan III	Fixed rate	2.50%	2.50%
Term loan IV	Base Rate + 2.5%	7.10%	7.10%
Term loan V	Fixed rate	2.85%	2.85%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

12. BORROWINGS (Continued)

Reconciliation of liabilities arising from financing activities

Group	As at 1 January \$’000	Financing cash flows ⁽ⁱ⁾ \$’000	Non-cash changes				As at 31 December \$’000
			New Leases and modifications \$’000	Expiry / Early Termination \$’000	Accretion of interests \$’000	Currency translation difference \$’000	
<u>2025</u>							
Borrowings #	5,135	890	-	-	-	(296)	5,729
Lease liabilities (Note 13)	1,062	(637)	271	(20)	38	24	738
	<u>6,197</u>	<u>253</u>	<u>271</u>	<u>(20)</u>	<u>38</u>	<u>(272)</u>	<u>6,467</u>
<u>2024</u>							
Borrowings #	4,722	368	-	-	-	45	5,135
Lease liabilities (Note 13)	706	(511)	817	(13)	45	18	1,062
	<u>5,428</u>	<u>(143)</u>	<u>817</u>	<u>(13)</u>	<u>45</u>	<u>63</u>	<u>6,197</u>

(i) The cash flows represent the net proceeds from borrowings and repayments of borrowings presented in the consolidated statement of cash flows.

The amount excludes bank overdraft as it forms part of cash and cash equivalents (Note 10).

13. LEASE LIABILITIES

	Group		Company	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
Current liabilities	510	536	66	63
Non-current liabilities	228	526	51	117
	<u>738</u>	<u>1,062</u>	<u>117</u>	<u>180</u>

The total cash outflows for the financial year for all lease contracts amounted to \$750,000 (2024: \$612,000), which includes leases expenses not included in lease liabilities, as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

14. OTHER FINANCIAL LIABILITIES

	Group	
	2025 \$’000	2024 \$’000
Current liabilities	3,307	3,498

The Company has an obligation to repurchase shares in a subsidiary, DIVW from the non-controlling shareholder (“NCI”), InfraCo, as a result of the put option granted to the NCI. The put option is exercisable commencing 3 years from the date that the NCI first injected capital into the subsidiary i.e. 5 July 2019. When the NCI exercises the put option, the Company is required to repay an amount giving rise to annualised yield of 12% compounded daily on its investment amount.

A revised shareholders’ agreement (“SHA”) has been signed on 27 June 2022 with the following revised terms:

- i) the put and call option is exercisable any time from 12 months from the date of commercial operation date of the Ba Lai Project;
- ii) annualised yield of 12% compounded daily interest (inclusive of a 12-month suspension from 22 March 2020 to 22 March 2021); and
- iii) to waive the non-compliance under the SHA and extend the timelines for the performance of certain general conditions subsequent under the SHA.

Ba Lai Project has commenced its commercial operation on 1 July 2023. As at 31 December 2025, the NCI has invested US\$2,751,000 equivalent to approximately \$3,307,000 (2024: US\$2,751,000 equivalent to approximately \$3,498,000) in DIVW. The liability was recognised at present value of redemption amount, and subsequently measured at amortised cost. Interest expense is included in other payables (Note 11).

As disclosed in Note 6 (b)(v), the Company has entered into a SPA with the NCI in December 2025.

15. SHARE CAPITAL

	Group and Company			
	2025		2024	
	Number of ordinary shares	\$’000	Number of ordinary shares	\$’000
Issued and fully paid ordinary shares				
At beginning and end of the financial year	93,831,492	76,766	93,831,492	76,766

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

16(a). OTHER RESERVES

Group	Capital	Foreign	Statutory	Total
	reserve **	currency	reserve *	
	\$’000	translation	\$’000	\$’000
		reserve **	\$’000	
2025				
At beginning of the financial year	840	(6,343)	608	(4,895)
Net exchange differences on translation of financial statements of foreign subsidiaries	-	(124)	(1)	(125)
At end of the financial year	840	(6,467)	607	(5,020)
2024				
At beginning of the financial year	840	(6,604)	608	(5,156)
Net exchange differences on translation of financial statements of foreign subsidiaries	-	261	-	261
At end of the financial year	840	(6,343)	608	(4,895)

* In accordance with the Foreign Enterprise Law of The People’s Republic of China (“PRC”), the subsidiary, being part of a foreign-owned enterprise is required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the statutory reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the subsidiary’s registered capital, the enterprise will not be required to make any additional contribution.

The statutory reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The PRC enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

** No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company’s assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

16(b). ACCUMULATED LOSSES

	Company	
	2025	2024
	\$’000	\$’000
At beginning of the financial year	(54,724)	(53,290)
Loss for the financial year	(4,248)	(1,434)
At end of the financial year	(58,972)	(54,724)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (" \$'000"))

17. REVENUE

(a) Disaggregation of revenue

The Group derives revenue from the provision of goods and services over time and at a point in time in the following types of goods and services and geographical locations based on the locations of customers:

	Group				
	Service concession revenue	Contract revenue	Rendering of services	Sale of goods	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2025					
Geographical markets					
PRC	-	20,223	-	-	20,223
Malaysia	-	4,022	6,813	8,000	18,835
Singapore	-	11,752	97	106	11,955
Vietnam	203	-	177	14	394
	203	35,997	7,087	8,120	51,407
Timing of revenue recognition					
At a point of time	-	-	4,653	8,120	12,773
Over time	203	35,997	2,434	-	38,634
	203	35,997	7,087	8,120	51,407
2024					
Geographical markets					
PRC	-	18,684	-	-	18,684
Malaysia	-	10,652	4,959	8,782	24,393
Singapore	-	14,928	746	110	15,784
Vietnam	101	-	160	14	275
	101	44,264	5,865	8,906	59,136
Timing of revenue recognition					
At a point of time	-	-	3,132	8,906	12,038
Over time	101	44,264	2,733	-	47,098
	101	44,264	5,865	8,906	59,136

(b) Material accounting policy

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Unless otherwise mentioned, the Group concludes that it is acting as a principal in the provision of goods or services in its contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Singapore dollars (“\$’000”))

17. REVENUE (Continued)

(b) Material accounting policy (Continued)

(i) *Sale of goods – Operation and Maintenance Services Segment*

Revenue from sale of goods is recognised upon transfer of control to the customers usually at the point in time when the goods have been delivered to customers. The Group normally invoices the customers upon delivery of the goods with 30 to 120 days credit term.

(ii) *Revenue from contract revenue – Engineering Projects Segment*

Revenue from contract revenue is recognised over time as it creates or enhances assets controlled by the customers. The progress of completion is measured by reference of contract costs incurred in proportion to the total estimated contract costs for each contract. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Costs that are not related to the contracts or do not contribute to the progress of satisfying the performance obligation are excluded when calculating the progress and are expensed as incurred.

Progress billing to customers is based on milestone / payments schedule set out in the contracts. When the value of revenue recognised exceeds payments received from the customers, the Group recognises the difference as a contract asset. A contract liability is recognised in the reverse situation.

The incremental costs of obtaining the contract, mainly sales commission, is capitalised if the Group expects to recover those costs. The tender costs are expensed out as incurred. The Group uses practical expedient to recognise incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset would have been one year or less. For costs to fulfil the contracts not within the scope of other SFRS(I), the Group capitalise the costs as contract costs assets only if (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify; (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered. Costs that do not fulfil the above criteria is expensed immediately as incurred.

Allowance is made where necessary to account for onerous contracts. To determine the total costs, the Group monitors and reviews constantly the progress of contracts taking into consideration all inputs from both internal project team and external customers. The review includes evaluating any potential risks and factors which may affect the timely completion of the contracts. The review also includes review of total budgeted costs whereby both actual costs incurred and future costs to complete are critically examined.

(iii) *Revenue from rendering of services – Operation and Maintenance Services Segment*

Revenue from rendering of servicing and maintenance support services are recognised over time on a straight-line basis for contracts with fixed rate per month as these represent series of repetitive services. When the service contracts provide fixed rate per service or visit, the revenue is recognised on invoiced value per month as it represents an amount that corresponds directly with the value to the customer of the Group’s performance completed to date, as allowed by practical expedient in SFRS(I) 15. Otherwise, revenue is recognised at point in time when the customer obtains control of the assets or services.

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Singapore dollars (“\$’000”))

17. REVENUE (Continued)

(b) Material accounting policy (Continued)

(iv) *Revenue from service concession assets*

Revenue and costs relating to construction phase of a concession arrangement is accounted for in accordance to SFRS(I) 15 *Revenue from Contracts with Customers*. The Group recognised the construction revenue with reference to the fair value of the construction phase. The fair value of such service is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. Consequently, the Group recognised a profit margin on the construction work by reference to the stage of completion and in accordance with the policy for “Revenue from contract revenue”.

(c) Contract balances

Contract with customers give rise to the following balances as at the reporting date:

	Group	
	2025 \$’000	2024 \$’000
Trade receivables (Note 9)	15,764	23,196
Contract assets (Note 9)	29,895	20,941
Contract liabilities (Note 11)	(11,563)	(9,316)

The timing of revenue recognition, billings and cash collections results in billed account receivables (included in trade receivables), unbilled receivables (contract assets) and contract liabilities.

Contract assets relate to the Group’s right to consideration for work completed but yet to be billed at reporting date on contract revenue, which will be transferred to trade receivables when the rights become unconditional upon invoicing. Invoicing is in accordance with milestones payments set out in the contract, normally first 10% to 20% (2024: 10% to 20%) of contract sum is payable by customers within 14 to 30 days (2024: 14 to 30 days) of signing of contracts and furnishing performance bond if required. Normally the last payment is billable upon final acceptance, or within 12 months from final acceptance.

Contract liabilities relating to (i) contract revenue represents the excess of milestone payments over the revenue recognised to date and advances received from customers and (ii) unfulfilled obligations which it has assumed in exchange for the service concession assets.

These assets and liabilities are reported as contract assets or liabilities on a contract by contract basis at the end of each reporting period.

Significant changes in the contract assets and liabilities balances during the financial year are:

	Contract assets	
	2025 \$’000	2024 \$’000
Amount included in contract asset balances at beginning of the financial year reclassified to trade receivables	12,464	9,538

Contract assets relate to revenue from Projects and vary depending on the number of ongoing projects at year end.

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(Amounts in thousands of Singapore dollars (“\$’000”))

17. REVENUE (Continued)

(c) Contract balances (Continued)

	Contract liabilities	
	2025	2024
	\$’000	\$’000
Revenue recognised in current year that was included in contract liabilities at beginning of the financial year	4,840	3,439

Contract liabilities increased due to advance payments received for which performance obligations have not yet been satisfied.

(d) Performance obligations

As at reporting date, the transaction price allocated to remaining performance obligations in contracts that are unsatisfied which is expected to be recognised as revenue for the future periods are as follows:

	Group		
	Within 1 year	Within 2 to 5 years	Total
	\$’000	\$’000	\$’000
Revenue expected to be recognised on unsatisfied performance obligations of these contracts as of 31 December 2025	30,122	39,272	69,394
Revenue expected to be recognised on unsatisfied performance obligations of these contracts as of 31 December 2024	32,773	51,923	84,696

Contract liabilities as at 31 December 2025 included unfulfilled obligations which it has assumed in exchange for the service concession assets of \$311,000 (2024: \$347,000) which will be recognised as revenue on a straight-line basis over the concession period of 49 years.

18. OTHER INCOME

	Group	
	2025	2024
	\$’000	\$’000
Gain on disposal of right-of-use assets and property, plant and equipment	242	4
Government grants:		
- VGF Grant (Note 11)	18	18
- Others	110	162
Interest income	45	59
Reversal on provision for unutilised annual leave	10	38
Reversal on provision for slow moving inventories	-	55
Gain on foreign exchange, net	115	-
Miscellaneous income	113	89
	653	425

NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in thousands of Singapore dollars (“\$’000”))

19. FINANCE COSTS

	Group	
	2025 \$’000	2024 \$’000
Interest expenses on:		
- other financial liabilities (amount owing to non-controlling interests)	764	653
- borrowings	262	310
- bank overdrafts	55	45
- lease liabilities	38	45
- unwinding effect of discounting provisions	158	156
	1,277	1,209

20. (LOSS) / PROFIT BEFORE INCOME TAX

This is determined after charging the following:

	Group	
	2025 \$’000	2024 \$’000
Amortisation of intangible assets (Note 5)	302	324
Auditors’ remuneration paid / payable to:		
- auditor of the Company	203	197
- other auditors	106	118
Direct material costs included in cost of sales	31,898	32,351
Sub-contractor costs	2,447	5,668
Depreciation of property, plant and equipment (Note 3)	514	491
Depreciation of right-of-use assets (Note 4)	536	471
Legal and other professional fees	1,011	443
Leases expenses not included in lease liabilities – short term leases	113	101
Personnel expenses (Note 21)	12,088	11,971
Research and development fees	601	621
Loss on foreign exchange, net	-	124
Property, plant and equipment written off (Note 3)	421	-
Impairment loss on property, plant and equipment (Note 3)	11	-
Inventories written off (Note 8)	152	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

21. PERSONNEL EXPENSES

	Group	
	2025 \$’000	2024 \$’000
Directors of the Company:		
- Directors’ fees	142	184
- Directors’ salaries and related costs	831	1,033
- Defined contributions plan expenses	37	47
Directors of the subsidiaries:		
- Directors’ salaries and related costs	639	678
- Defined contributions plan expenses	21	24
Other key management personnel (non-directors):		
- Salaries and related costs	358	134
- Defined contributions plan expenses	33	14
Total key management personnel remuneration	2,061	2,114
Other personnel:		
- Salaries and related costs	9,044	8,947
- Defined contributions plan expenses	983	910
	10,027	9,857
	12,088	11,971
Total personnel expenses comprise:		
- Salaries and related costs	11,014	10,976
- Defined contributions plan expenses	1,074	995
	12,088	11,971

Total key management personnel remuneration included as above include:

	Group	
	2025 \$’000	2024 \$’000
Short-term employee benefits	1,970	2,029
Defined contributions plan expenses	91	85
	2,061	2,114

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and respective subsidiaries, including all directors of the Company and respective subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

22. INCOME TAX EXPENSE

Major components of income tax expense or the financial year ended 31 December were:

	Group	
	2025 \$’000	2024 \$’000
Current tax		
- Current year	-	182
- Under provision in the previous financial years	38	20
Income tax expense	38	202

The reconciliation of income tax expense and the product of accounting (loss) / profit multiplied by the applicable rate is as follows:

	Group	
	2025 \$’000	2024 \$’000
Accounting (loss) / profit	(5,822)	736
Tax at the applicable tax rate of 17% (2024: 17%)	(990)	125
Tax effects of:		
- different tax rates in other countries	(214)	116
- tax incentives	(134)	(115)
- expenses not deductible for tax purposes	374	356
- income not subject to tax	(624)	(80)
- deferred tax asset not recognised	1,604	171
- utilisation of previously unrecognised tax losses	(16)	(358)
- under provision of current tax in the previous financial years	38	20
- others	-	(33)
Income tax expense	38	202

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subject to an applicable tax rate of 17% (2024: 17%). The Company and certain subsidiaries are in tax loss positions for both the financial years ended 31 December 2025 and 2024 and hence they are not subject to tax in the respective years.

Wuhan Kaidi Water Services Co., Ltd. (PRC)

In accordance with the Income Tax Law of The People’s Republic of China (“PRC”) for New and High Technology Enterprise and various documents issued by the Tax Bureau of the PRC, the subsidiary, being awarded the “High Technology Enterprise” status, enjoys a concessionary tax rate of 15%, from year 2017 to 2026 as compared to the statutory tax rate for PRC companies of 25%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

22. INCOME TAX EXPENSE (Continued)

Malaysia subsidiaries

Malaysia subsidiaries are subject to an applicable tax rate of 24% (2024: 24%). Certain subsidiaries are in a tax loss position for both the financial years ended 31 December 2025 and 2024 and hence they are not subject to tax in the respective years.

Shanghai Darco Engineering Co., Ltd. (PRC)

This subsidiary is subject to an applicable tax rate of 25% (2024: 25%). It is in a tax loss position for both the financial years ended 31 December 2025 and 2024 and hence it is not subject to tax.

Vietnam subsidiaries

Vietnam subsidiaries are subject to an applicable tax rate of 20% (2024: 20%). The Vietnam subsidiaries enjoy tax exemption for 4 years, starting from the first year of profit.

23. (LOSS) / EARNINGS PER SHARE

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

	Group	
	2025	2024
Net (loss) / profit attributable to equity holders of the Company (\$’000)	(4,853)	1,007
Weighted average number of ordinary shares outstanding for basic earnings per share	93,831,492	93,831,492
Basic and diluted (loss) / earnings per share (cents)	(5.17)	1.07

Diluted (loss) / earnings per share is the same as the basic (loss) / earnings per share as there were no share options, warrants or other compound financial instruments with dilutive effect granted during the financial year or outstanding at the end of the financial year.

24. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 30) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

25. CONTINGENCIES AND COMMITMENTS

(i) Contingent liabilities

The Company has provided the following guarantees as at 31 December:

	Company	
	2025 \$’000	2024 \$’000
Corporate guarantees provided to banks and financial institutions for credit facilities granted to subsidiaries (Note 27(ii)) – amount utilised	4,926	2,729

The Company has assessed that those subsidiaries have adequate financial capacity to meet the contractual cash flows obligation by the repayment due dates and hence, does not expect significant credit losses arising from these guarantees. As a result, the financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised as a liability as at 31 December 2025 and 2024.

(ii) Capital commitments

Capital expenditure committed for as at 31 December 2025 and 2024 but not recognised in the financial statements is as follows:

	Group	
	2025 \$’000	2024 \$’000
Construction related activities in the Ba Lai Project	12,352	13,694

26. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services. The Group now has two operating and reportable segments – Engineering Projects (“Projects”) and Operation and Maintenance Services (“O&M Services”). The principal activities of the Group’s operating segments are summarised as follows:

- (i) Projects – Contract to design, fabricate, assemble, install and commission engineered water systems for industrial application; engineered vacuum solution and service concession revenue.
- (ii) O&M Services – Services and maintains water and wastewater treatment plants, water supply as well as trades and supplies of goods comprising chemicals, electrical controls and related instruments used in water treatment systems.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated by the Chief Executive Officer (“CEO”), the chief operating decision maker, based on gross profit of the respective segment. As such, gross profit is presented as segment profit in the segment information. Segment assets and liabilities reported to the CEO represent total assets and liabilities of the reportable segment excluding the corporate functions and any unallocated amount recorded in subsidiaries with multiple segment businesses and subsidiaries that have yet to commence operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

26. SEGMENT INFORMATION (Continued)

An operating segment is a component of the Group that engages in business activities from which it may earn resources and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decision about resources to be allocated and to assess performance of the operating segments.

Business segments

The information for the reportable segments for the financial years ended 31 December 2025 and 2024 is as follows:

2025	<u>Projects</u>	<u>O&M Services</u>	<u>Eliminations</u>	<u>Total</u>
	\$’000	\$’000	\$’000	\$’000
Revenue				
Sales to external customers	36,200	15,207	-	51,407
Segment loss	(2,090)	(81)	-	(2,171)
Expenses and income				
Amortisation of intangible assets	(302)	-	-	(302)
Depreciation of property, plant and equipment	(192)	(305)	-	(497)
Depreciation of right-of-use assets	(206)	(261)	-	(467)
Impairment loss on financial assets	(333)	(415)	-	(748)
Finance costs	(303)	(96)	51	(348)
Interest income	22	23	-	45
Property, plant and equipment written off	(10)	(10)	-	(20)
Segment assets	69,553	8,667	-	78,220
Segment assets include:				
Additions to:				
- property, plant and equipment	62	89	-	151
- right-of-use assets	120	151	-	271
- intangible assets	195	-	-	195
Segment liabilities	45,531	4,183	-	49,614

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (" \$'000"))

26. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2024	Projects \$'000	O&M Services \$'000	Eliminations \$'000	Total \$'000
Revenue				
Sales to external customers	44,365	14,771	-	59,136
Segment profit	3,031	1,154	-	4,185
Expenses and income				
Amortisation of intangible assets	(324)	-	-	(324)
Depreciation of property, plant and equipment	(219)	(256)	-	(475)
Depreciation of right-of-use assets	(217)	(206)	-	(423)
Impairment loss on financial assets	(3)	(18)	-	(21)
Finance costs	(388)	(79)	71	(396)
Interest income	28	25	-	53
Segment assets	69,469	7,685	-	77,154
Segment assets include:				
Additions to:				
- property, plant and equipment	38	336	-	374
- right-of-use assets	24	580	-	604
- intangible assets	93	-	-	93
Segment liabilities	40,059	2,843	-	42,902

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

26. SEGMENT INFORMATION (Continued)

Reconciliation

(i) Segment (loss) / profit

The following items are added to / (deducted from) segment (loss) / profit to arrive at “(loss) / profit before income tax” as presented in the consolidated statement of profit or loss and other comprehensive income:

	2025 \$’000	2024 \$’000
Segment (loss) / profit from the reportable segments	(2,171)	4,185
Other income	695	131
Administrative expenses	(3,417)	(2,767)
Finance costs	(929)	(813)
	<hr/>	<hr/>
(Loss) / Profit before income tax	(5,822)	736
	<hr/>	<hr/>

(ii) Other material information

	2025 \$’000	2024 \$’000
<u>Additions to property, plant and equipment</u>		
Segment total	151	374
Unallocated:		
- Relates to general and corporate assets	46	25
	<hr/>	<hr/>
	197	399
	<hr/>	<hr/>
<u>Additions to right-of-use assets</u>		
Segment total	271	604
Unallocated:		
- Relates to general and corporate assets	-	213
	<hr/>	<hr/>
	271	817
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (" \$'000"))

26. SEGMENT INFORMATION (Continued)

Reconciliation (Continued)

(ii) Other material information (Continued)

	2025 \$'000	2024 \$'000
<u>Depreciation of property, plant and equipment</u>		
Segment total	(497)	(475)
Unallocated:		
- Relates to general and corporate assets	(17)	(16)
	<u>(514)</u>	<u>(491)</u>
<u>Depreciation of right-of-use assets</u>		
Segment total	(467)	(423)
Unallocated:		
- Relates to general and corporate assets	(69)	(48)
	<u>(536)</u>	<u>(471)</u>
<u>Property, plant and equipment written off</u>		
Segment total	(20)	-
Unallocated:		
- Arising from general and corporate activities	(401)	-
	<u>(421)</u>	<u>-</u>
<u>Interest income</u>		
Segment total	45	53
Unallocated:		
- Arising from general and corporate used bank balances	-	6
	<u>45</u>	<u>59</u>
<u>Finance costs</u>		
Segment total	(348)	(396)
Unallocated:		
- Relating to other financial liabilities, borrowings for general working capital purpose and lease liabilities for general and corporate assets	(929)	(813)
	<u>(1,277)</u>	<u>(1,209)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

26. SEGMENT INFORMATION (Continued)

Reconciliation (Continued)

(iii) Segment assets

Segment assets are reconciled to total assets as follows:

	2025 \$’000	2024 \$’000
Segment assets for reportable segments	78,220	77,154
Unallocated assets:		
- Property, plant and equipment	74	1,786
- Right-of-use assets	125	194
- Other receivables	244	108
- Cash and cash equivalents	774	133
- Asset held for sale	1,251	-
	80,688	79,375

(iv) Segment liabilities

Segment liabilities are reconciled to total liabilities as follows:

	2025 \$’000	2024 \$’000
Segment liabilities for reportable segments	49,614	42,902
Unallocated liabilities:		
- Other payables	3,230	2,530
- Lease liabilities	130	196
- Other financial liabilities (Note 14)	3,307	3,498
- Bank borrowing related to asset held for sale	613	-
	56,894	49,126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

26. SEGMENT INFORMATION (Continued)

Geographical segments

The Group’s two operating segments operate in four main geographical areas:

- (i) PRC – the operations in this area are principally the supply of potable water, design, fabrication, installation and commissioning of environmental engineering system and providing consultancy services in relation to such business as well as designing, installing, setting up and maintaining of industrial waste treatment plant ultra-pure system (“Projects”).
- (ii) Malaysia – the operations in this area are principally the designing, installing, setting up and maintaining of industrial waste treatment plant ultra-pure system (“Projects”), testing of wastewater and processed water, rendering of other related waste treatment plant services and trading in industrial water treatment, spare parts and chemicals (“O&M Services”).
- (iii) Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally investment holding, design and fabrication of water treatment systems, engineered vacuum solution (“Projects”) and providing consultancy services in relation to such business and trading in industrial water treatment spare parts and chemicals (“O&M Services”).
- (iv) Vietnam – the operations in this area are principally the designing, installing and commissioning of treatment systems for water purification held under a concession asset under construction (“Projects”) as well as treatment of wastewater and other waste discharge for industrial use and supplying chemicals and components used in manufacturing and maintenance water treatment systems (“O&M Services”).

Revenue and non-current assets information based on the geographical location of contracting customers (regardless of projects location for contract revenue) / assets are as follows:

	Revenue (Note 17)		Non-current assets	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
PRC	20,223	18,684	1,350	1,482
Malaysia	18,835	24,393	2,004	4,050
Singapore	11,955	15,784	1,405	1,504
Vietnam	394	275	12,627	13,881
	<u>51,407</u>	<u>59,136</u>	<u>17,386</u>	<u>20,917</u>

Non-current assets presented above include property, plant and equipment, right-of-use assets and intangible assets based on the location of the assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

26. SEGMENT INFORMATION (Continued)

Major customers

“Projects” segment

In 2025, revenue of approximately \$13,124,000 (2024: \$16,537,000) or 26% (2024: 28%) of the Group’s revenue, is derived from listed state-owned power-producers companies based in the PRC. In 2025 and 2024, none of the other customers in PRC, Malaysia and Vietnam individually contributed to more than 10% of the Group’s total revenue.

None of the single customers in the “O&M Services” segment contributed to more than 10% of the Group’s total revenue.

27. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group’s activities expose it to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group’s financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management of the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

(i) Market risk

(a) Foreign exchange risk

The Group operates in Asia with dominant operations in Singapore, PRC, Malaysia and Vietnam. Entities in the Group regularly transact in currencies other than their respective functional currencies (“foreign currencies”).

Foreign exchange risk arises for transactions that are mainly denominated in foreign currencies such as the United States dollars (“USD”), Chinese Renminbi (“RMB”), Malaysia ringgit (“MYR”) and others. In the prior financial year, the Group entered into a currency forward (non-hedging instrument) of contractual notional amount \$912,000 (USD700,000).

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group’s foreign operations in PRC and Malaysia are managed primarily through borrowings denominated in the relevant foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (" \$'000"))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

The Group's currency exposure based on the information provided to the key management is as follows:

Group	SGD \$'000	USD \$'000	MYR \$'000	RMB \$'000	Others * \$'000	Total \$'000
2025						
Financial assets						
Trade and other receivables	1,338	-	5,574	10,172	252	17,336
Cash and cash equivalents	2,256	597	2,405	3,816	729	9,803
Intragroup receivables	5,771	1,337	443	1,443	235	9,229
	<u>9,365</u>	<u>1,934</u>	<u>8,422</u>	<u>15,431</u>	<u>1,216</u>	<u>36,368</u>
Financial liabilities						
Trade and other payables	(3,420)	(7,018)	(4,042)	(18,892)	(469)	(33,841)
Borrowings	(607)	(1,949)	(2,145)	(183)	(2,139)	(7,023)
Lease liabilities	(323)	-	(415)	-	-	(738)
Other financial liabilities	-	(3,307)	-	-	-	(3,307)
Intragroup payables	(5,771)	(1,337)	(443)	(1,443)	(235)	(9,229)
	<u>(10,121)</u>	<u>(13,611)</u>	<u>(7,045)</u>	<u>(20,518)</u>	<u>(2,843)</u>	<u>(54,138)</u>
Net financial (liabilities) / assets	(756)	(11,677)	1,377	(5,087)	(1,627)	(17,770)
Add: Contract assets	13,671	-	908	15,312	4	29,895
Less: Net (assets) / liabilities denominated in the respective entities' functional currencies	(17,735)	-	(2,729)	(11,667)	1,208	(30,923)
Foreign currency exposure	<u>(4,820)</u>	<u>(11,677)</u>	<u>(444)</u>	<u>(1,442)</u>	<u>(415)</u>	<u>(18,798)</u>

* Others are denominated in Euros and Vietnamese Dong.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group	SGD \$’000	USD \$’000	MYR \$’000	RMB \$’000	Others * \$’000	Total \$’000
2024						
<u>Financial assets</u>						
Trade and other receivables	2,220	578	4,206	17,903	488	25,395
Cash and cash equivalents	1,754	518	2,296	2,210	1,177	7,955
Intragroup receivables	6,708	1,660	511	1,471	257	10,607
	<u>10,682</u>	<u>2,756</u>	<u>7,013</u>	<u>21,584</u>	<u>1,922</u>	<u>43,957</u>
<u>Financial liabilities</u>						
Trade and other payables	(1,940)	(6,524)	(4,908)	(15,417)	(330)	(29,119)
Borrowings	(157)	(1,754)	(818)	(329)	(2,192)	(5,250)
Lease liabilities	(452)	-	(610)	-	-	(1,062)
Other financial liabilities	-	(3,498)	-	-	-	(3,498)
Intragroup payables	(6,708)	(1,660)	(511)	(1,471)	(257)	(10,607)
	<u>(9,257)</u>	<u>(13,436)</u>	<u>(6,847)</u>	<u>(17,217)</u>	<u>(2,779)</u>	<u>(49,536)</u>
Net financial assets / (liabilities)	1,425	(10,680)	166	4,367	(857)	(5,579)
Add: Contract assets	11,619	-	2,845	6,477	-	20,941
Less: Net (assets) / liabilities denominated in the respective entities’ functional currencies	(18,879)	-	(3,522)	(12,315)	600	(34,116)
Foreign currency exposure	<u>(5,835)</u>	<u>(10,680)</u>	<u>(511)</u>	<u>(1,471)</u>	<u>(257)</u>	<u>(18,754)</u>

* Others are denominated in Euros and Vietnamese Dong.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company	SGD \$’000	USD \$’000	MYR \$’000	Total \$’000
2025				
<u>Financial assets</u>				
Trade and other receivables	3,956	931	-	4,887
Cash and cash equivalents	770	3	-	773
	<u>4,726</u>	<u>934</u>	<u>-</u>	<u>5,660</u>
<u>Financial liabilities</u>				
Trade and other payables	(948)	(2,972)	(469)	(4,389)
Lease liabilities	(117)	-	-	(117)
	<u>(1,065)</u>	<u>(2,972)</u>	<u>(469)</u>	<u>(4,506)</u>
Net financial assets / (liabilities)	3,661	(2,038)	(469)	1,154
Less: Net financial assets denominated in the Company’s functional currency	(3,661)	-	-	(3,661)
Foreign currency exposure	-	(2,038)	(469)	(2,507)
2024				
<u>Financial assets</u>				
Trade and other receivables	4,993	985	-	5,978
Cash and cash equivalents	118	4	-	122
	<u>5,111</u>	<u>989</u>	<u>-</u>	<u>6,100</u>
<u>Financial liabilities</u>				
Trade and other payables	(874)	(2,346)	(354)	(3,574)
Lease liabilities	(180)	-	-	(180)
	<u>(1,054)</u>	<u>(2,346)</u>	<u>(354)</u>	<u>(3,754)</u>
Net financial assets / (liabilities)	4,057	(1,357)	(354)	2,346
Less: Net financial assets denominated in the Company’s functional currency	(4,057)	-	-	(4,057)
Foreign currency exposure	-	(1,357)	(354)	(1,711)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025
(Amounts in thousands of Singapore dollars (“\$’000”))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table details the sensitivity to a 5% (2024: 5%) increase and decrease in the functional currencies against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2024: 5%) change in foreign currency rates.

If the foreign currencies strengthen by 5% (2024: 5%) against the relevant functional currencies, with all other variables held constant, the Group’s and the Company’s (loss) /profit for the financial year will increase / (decrease) by:

	SGD	USD	MYR	RMB	Others
	\$’000	\$’000	\$’000	\$’000	\$’000
2025					
Group					
Loss for the financial year	200	485	18	60	17
Company					
Loss for the financial year	-	85	19	-	-
2024					
Group					
Profit for the financial year	(242)	(443)	(21)	(61)	(11)
Company					
Loss for the financial year	-	56	15	-	-

A 5% (2024: 5%) weakening of foreign currencies against the respective functional currencies at the reporting date would have had the equal opposite effect on the above currencies to the amount shown above, on the basis that all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group’s income and operating cash flows are substantially independent of changes in market interest rates.

The Group’s exposure to cash flow interest rate risks arises mainly from variable-rate borrowings.

At the reporting date, the interest rate profile of the Group’s and the Company’s interest-bearing financial instruments, as reported to the management, is as follows:

	Group		Company	
	Carrying amount		Carrying amount	
	2025	2024	2025	2024
	\$’000	\$’000	\$’000	\$’000
Fixed rate instruments				
Financial asset				
- Fixed deposits (Note 10)	520	1,354	-	-
Financial liabilities				
- Borrowings (Note 12)	(421)	(486)	-	-
- Lease liabilities (Note 13)	(738)	(1,062)	(117)	(180)
- Other financial liabilities (Note 14)	(3,307)	(3,498)	-	-
	(3,946)	(3,692)	(117)	(180)
Variable rate instruments				
Financial liabilities				
- Borrowings (Note 12)	(6,602)	(4,764)	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(b) Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

If the interest rates had been 50 basis point higher and all other variables held constant, the Group’s (loss) / profit for the financial year will increase / (decrease) / by:

	Group	
	2025	2024
	\$’000	\$’000
(Loss) / Profit for the financial year	27	(20)

(ii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at a short notice. At the end of the reporting period, assets held by the Group and the Company for managing liquidity risk included cash and cash equivalents as disclosed in Note 10.

Management monitors rolling forecasts of the Group’s and the Company’s liquidity reserve comprises borrowings (Note 12) and cash and cash equivalents (Note 10) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses the Group’s and the Company’s non-derivative financial liabilities into relevant maturity groupings based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group and the Company can be required to pay and includes both interest and principal cash flows.

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(Amounts in thousands of Singapore dollars (“\$’000”))

27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Group	Effective interest rate	On demand or not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
	%	\$’000	\$’000	\$’000	\$’000
2025					
Trade and other payables		29,978	3,862	-	33,840
Borrowings (Note A)	2.85% - 7.45%	7,139	-	-	7,139
Lease liabilities	3.28% - 5.32%	526	236	-	762
Other financial liabilities	12.00%	6,063	-	-	6,063
		<u>43,706</u>	<u>4,098</u>	<u>-</u>	<u>47,804</u>
2024					
Trade and other payables		25,182	3,937	-	29,119
Borrowings (Note A)	2.50% - 7.70%	4,618	467	284	5,369
Lease liabilities	3.28% - 5.32%	562	539	-	1,101
Other financial liabilities	12.00%	5,615	-	-	5,615
		<u>35,977</u>	<u>4,943</u>	<u>284</u>	<u>41,204</u>
Company	Effective interest rate	On demand or within 1 year	Later than 1 year and not later than 5 years	Total	
	%	\$’000	\$’000	\$’000	
2025					
Trade and other payables			4,389	-	4,389
Financial guarantee contracts (Note 25(i)) (Note A)			4,926	-	4,926
Lease liabilities	5.25%	70	52		122
			<u>9,385</u>	<u>52</u>	<u>9,437</u>
2024					
Trade and other payables			3,574	-	3,574
Financial guarantee contracts (Note 25(i)) (Note A)			2,729	-	2,729
Lease liabilities	5.25%	70	122		192
			<u>6,373</u>	<u>122</u>	<u>6,495</u>

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

Note A

Notwithstanding the classification of Term Loan IV as current liabilities arising from the non-fulfilment of the financial covenants, the maturity profile of Group’s borrowings is presented based on the contractual undiscounted cash flows in accordance with the original repayment schedule of Term Loan IV, as follows:

	On demand or not later than 1 year \$’000	Later than 1 year and not later than 5 years \$’000	Later than 5 years \$’000	Total \$’000
31 December 2025	155	1,509	387	2,050
31 December 2024	80	1,408	724	2,213

Trade and other payables of the Group are non-interest bearing and normally settled on a range of 30 to 90 days (2024: 30 to 90 days) terms. Trade and other payables of the Company including balances owing to subsidiaries and a related party are repayable on demand. These are included as liabilities payable on demand or within one year.

For financial guarantees issued to the banks by the Company, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called. Out of this amount, there are no instalments due beyond 2 years as at the reporting date (2024: \$751,000) based on the contractual payment schedule of the loans.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are cash and cash equivalents and trade and other receivables. Cash and cash equivalents are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. For trade receivables (including contract assets), the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented in the statements of financial position, except for guarantees as disclosed in Note 25(i).

Credit risk concentration included in the Group’s trade receivables and contract assets (Note 9) as at 31 December is summarised as follow:

- 3 stated-owned enterprises and 2 private corporation (2024: 4 stated-owned enterprises and 1 private corporation) in PRC in engineering projects business that in aggregate represented 23% and 9% (2024: 21% and 4%) respectively of the Group’s trade receivables and contract assets, as part of “Projects” segment; and
- 1 municipal customer (2024: 1 municipal customer) in Singapore in engineering projects business that individually represented 31% (2024: 29%) of the Group’s trade receivables and contract assets, as part of “Projects” segment.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

As at 31 December 2025, cash and cash equivalents placed with 5 banks (2024: 5 banks) individually represented 6% to 35% (2024: 10% to 18%) of the Group’s cash and cash equivalents.

Other than disclosed above and in Note 9, there is no other credit risk concentration in financial assets of the Group and Company.

Impairment of financial assets

The Group applies impairment model in SFRS(I) 9 to measure the Expected Credit Losses (“ECL”) of the following categories of assets:

- Financial assets at amortised costs (including trade and other receivables and cash and cash equivalents)
- Contract assets (determined in accordance with SFRS(I) 15)
- Intragroup financial guarantee contracts

ECLs are probability-weighted estimates of credit losses, which are measured at the present value of all cash shortfalls (difference between the cash flows due to the Group in accordance with the contracts and the cash flows that the Group expects to receive), discounted at effective interest rate of the financial asset. The expected cash flows include cash flows from the sale of collaterals held, if any, or other credit enhancements that are integral to the contractual terms.

Simplified approach

The Group applies simplified approach to all trade receivables and contract assets. Impairment loss allowance is measured at life-time ECL, which represents ECLs that result from all possible default events over the expected life of a financial instrument or contract asset (‘life-time ECL’). The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to those customers and the economic environment.

General approach

The Group applies general approach on all other financial instruments and financial guarantee contracts, and recognise a 12-month ECL on initial recognition. 12-months ECL are ECLs that result from possible default events within 12 months after the reporting date or up to the expected life of the instrument, if shorter.

Impairment loss allowance or reversals are recognised in profit or loss. Loss allowance on financial assets at amortised cost and contract assets are deducted from the gross carrying amount of those assets.

Significant increase in credit risk (Stage 2)

For credit exposures for which there has been a significant increase in credit risk since initial recognition, impairment loss allowance is measured at life-time ECL. When a financial asset is determined to have a low credit risk at reporting date, the Group assumes that there has been no significant increase in credit risk since initial recognition. For other cases, the Group uses reasonable and supportable forward-looking information available without undue cost or effort to determine, at each reporting date, whether there is significant increase in credit risk since initial recognition. In assessing whether there has been significant increase in credit risks, the Group takes into account factors such as:

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Significant increase in credit risk (Stage 2) (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor’s ability to meet its debt obligations
- actual or expected significant adverse change in the regulatory, economic, or technological environment that are expected to cause a significant change in the debtor’s ability to meet its debt obligations
- an actual or expected significant change in the operating results of the debtors

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

If credit risk has not increased significantly since initial recognition or if the credit quality improves such that there is no longer significant increase in credit risk since initial recognition, loss allowance is measured at 12-month ECL.

Definition of default

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligation in full, without recourse by the Group; or
- The financial asset is more than 90 days past due, unless otherwise indicated in credit risk note.

The Group considers a contract asset to be in default when the customer is unlikely to pay the contractual obligations to the Group in full without recourse by the Group.

Credit-impaired (Stage 3)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group manages credit loss based on Expected Credit Losses (ECL) model.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

General approach (Continued)

Credit-impaired (Stage 3) (Continued)

(a) Trade receivables and contract assets

The Group’s exposure to credit risk from trade receivables are linked to the individual characteristics of each customer, and also influenced by the default risk specific to the industry or country brought about by the general economic condition.

To measure the ECL allowance, trade receivables and contract assets have been grouped together according to the main geographical areas in which the Group operates which has higher influence on credit risks than the reportable segments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Summarised below is the information about the credit risk exposure on the Group’s trade receivables and contract assets grouped by geographical area:

	Contract assets		Trade receivables	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	\$’000	\$’000	\$’000	\$’000
Group – As at 31 December 2025				
Singapore	13,671	-	955	-
PRC	18,143	2,830	13,564	3,843
Malaysia	1,228	320	5,610	524
Vietnam	3	-	386	384
	33,045	3,150	20,515	4,751
Group – As at 31 December 2024				
Singapore	11,620	-	2,172	-
PRC	10,696	4,219	20,030	2,979
Malaysia	3,085	241	4,101	140
Vietnam	-	-	431	419
	25,401	4,460	26,734	3,538

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

Summarised below is the information about the credit risk exposure on the Group’s trade receivables and contract assets grouped by type of counterparties:

	Contract assets		Trade receivables	
	Gross carrying amount \$’000	ECL \$’000	Gross carrying amount \$’000	ECL \$’000
Group – As at 31 December 2025				
Municipal (Singapore)	13,671	-	549	-
State-owned enterprises (PRC)	5,305	1,329	10,765	2,443
Private corporations	14,069	1,821	9,201	2,308
	33,045	3,150	20,515	4,751
Group – As at 31 December 2024				
Municipal (Singapore)	10,865	-	1,896	-
State-owned enterprises (PRC)	5,331	1,052	17,039	1,177
Private corporations	9,205	3,408	7,799	2,361
	25,401	4,460	26,734	3,538

Singapore

The Group has applied the simplified approach to measure the life-time expected credit losses for its trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on credit risk characteristics and days past due.

The expected credit loss rates are based on the payment profile of sales and the corresponding historical credit losses experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and contract assets.

Included in trade receivables and contract assets is an amount owing from a municipal customer of \$14,220,000 (2024: \$12,761,000), with a very low credit risk. The remaining amount is owing from a group of private corporation customers which the Group did not experience any credit loss and there are no significant changes in the business operation nor significant change in credit quality. The management assess that there are no material ECL on trade receivables.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

PRC

Due to the inherent nature of the construction industry in PRC, the payment by the customers may be prolonged. The expected loss rates are based on the payment profiles of sales over a period of 5 years before reporting dates and the corresponding historical credit losses experience within this period. The historical rates have been adjusted for forward-looking factors for the economic environment. On that basis, the loss allowance as at 31 December was determined via a provision matrix as follow for both trade receivables and contract assets:

Group	Contract assets and trade receivables							Individually impaired	Total
	Days past due								
	Current	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	> 4 years	Credit-impaired		
31 December 2025									
Expected credit loss rate (%)	0.00%	0.12%	0.51%	1.18%	1.18%	5.20%	100%		
Gross carrying amount (\$’000)	3,616	15,818	3,069	2,570	27	-	6,607	31,707	
Expected credit loss (\$’000)	-	20	16	30	-	-	6,607	6,673	
31 December 2024									
Expected credit loss rate (%)	0.00%	0.13%	0.55%	1.41%	1.41%	5.20%	100%		
Gross carrying amount (\$’000)	5,282	12,225	5,408	504	141	22	7,144	30,726	
Expected credit loss (\$’000)	-	16	29	7	2	*	7,144	7,198	

* Amount less than \$1,000.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

- (a) Trade receivables and contract assets (Continued)

Malaysia

The expected loss rates are based on the payment profiles of sales over the period of 1 year and the corresponding historical credit losses experience within this period. The historical rates have been adjusted for forward-looking factors for the economic environment. On that basis, the loss allowance as at 31 December was determined via a provision matrix as follow for both trade receivables and contract assets.

Group	Contract assets and trade receivables						Individually impaired	Total
	Current	Days past due						
		< 30 days	30 – 60 days	61 – 90 days	> 90 days (credit-impaired)			
31 December 2025								
Expected credit loss rate (%)	0.00%	0.00% - 0.19%	0.00% - 0.32%	0.00% - 18.04%		100%		
Gross carrying amount (\$’000)	4,039	642	345	549	419	844	6,838	
Expected credit loss (\$’000)	-	-	-	-	-	844	844	
31 December 2024								
Expected credit loss rate (%)	0.00%	0.00%	0.01%	0.00% - 9.24%		100%		
Gross carrying amount (\$’000)	4,703	527	1,021	154	400	381	7,186	
Expected credit loss (\$’000)	-	-	-	-	-	381	381	

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

Vietnam

The Group computes the expected credit loss taking into account the nature of counterparty and the industry the customers operate in. Management has assessed the appropriateness of the rate based on the payment patterns and historical loss rates.

When the receivables are determined to have no reasonable prospect of recovery, the Group write-off the balances while continuing to engage in enforcement activity to recover the balances.

The movement of the life-time ECL on trade receivables and contract assets are as follows:

Group	Contract assets \$’000	Trade receivables \$’000	Total \$’000
2025			
Balance at 1 January 2025	4,460	3,538	7,998
Movement during the year:			
ECL allowance recognised	68	1,349	1,417
Reversal of unutilised amount	(1,328)	(20)	(1,348)
Written off	-	(48)	(48)
Currency translation differences	(50)	(68)	(118)
	3,150	4,751	7,901
Balance at 31 December 2025 (Note 9)	3,150	4,751	7,901
2024			
Balance at 1 January 2024	4,459	3,529	7,988
ECL allowance recognised during the financial year	1	20	21
Currency translation differences	-	(11)	(11)
	4,460	3,538	7,998
Balance at 31 December 2024 (Note 9)	4,460	3,538	7,998

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Trade receivables and contract assets (Continued)

Group	Non-credit impaired	Credit impaired	Total
	\$’000	\$’000	\$’000
2025			
Balance at 1 January 2025	45	7,953	7,998
ECL allowance recognised / (write-back) during the financial year			
Changes in ECL allowance	-	1,417	1,417
Reversal of unutilised amount	(9)	(1,339)	(1,348)
	(9)	78	69
Written off	-	(48)	(48)
Currency translation differences	1	(119)	(118)
Balance at 31 December 2025 (Note 9)	37	7,864	7,901
2024			
Balance at 1 January 2024	36	7,952	7,988
ECL allowance recognised / (write-back) during the financial year			
Changes in ECL allowance	-	21	21
Reversal of unutilised amount	12	(12)	-
	12	9	21
Currency translation differences	(3)	(8)	(11)
Balance at 31 December 2024 (Note 9)	45	7,953	7,998

(b) Other receivables, including amounts owing by subsidiaries and financial guarantees to subsidiaries

For the purpose of impairment assessment, general 3-stages approach is applied in the ECL assessment of financial assets other than trade receivables and contract assets. The management is of view that determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, and hence life-time ECL is recognised as at each reporting date until derecognition.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

- (b) Other receivables, including amounts owing by subsidiaries and financial guarantees to subsidiaries (Continued)

Summarised below is the information about the credit risk exposure on the other receivables, refundable deposits and staff loans:

	Group		Company	
	2025	2024	2025	2024
	\$’000	\$’000	\$’000	\$’000
Current				
Other receivables:				
- Third parties	4,244	4,022	937	940
- Subsidiaries (non-trade)	-	-	5,692	6,779
Refundable deposits	1,524	1,707	934	961
Staff loans	4	10	-	-
Gross carrying amount	5,772	5,739	7,563	8,680
Less: ECL allowance – credit impaired	(4,200)	(3,540)	(2,676)	(2,702)
	1,572	2,199	4,887	5,978

The Group and the Company considers the above ECL to be Stage 3 ECL (credit impaired) considering that:

- Other receivables which had been overdue more than 5 years.
- Remaining sum of tender deposit for a contract awarded but was not continued.
- Weak financial position of subsidiaries.
- The default of instalment payment on refundable deposit.
- Absence of collateral.

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

- (b) Other receivables, including amounts owing by subsidiaries and financial guarantees to subsidiaries (Continued)

The movement of the life-time ECL on other receivables and refundable deposits are as follows:

	Group \$’000	Company \$’000
Balance at 1 January 2025	3,540	2,702
ECL allowance recognised / (write-back) during the financial year	679	(26)
Currency translation differences	(19)	-
	4,200	2,676
Balance at 31 December 2025 (Note 9)		
	Group \$’000	Company \$’000
Balance at 1 January 2024	3,522	2,912
ECL allowance write-back during the financial year	-	(210)
Currency translation differences	18	-
	3,540	2,702
Balance at 31 December 2024 (Note 9)		

(c) Cash and cash equivalents

Bank deposits are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. Impairment on cash and cash equivalents has been assessed on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the financial institutions. The amount of the allowance on cash and cash equivalents is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iv) Financial instruments by category

	Group		Company	
	2025 \$’000	2024 \$’000	2025 \$’000	2024 \$’000
Financial assets at amortised cost:				
- Trade receivables	15,764	23,196	-	-
- Other receivables	1,572	2,199	4,887	5,978
- Cash and cash equivalents	9,803	7,955	773	122
	27,139	33,350	5,660	6,100
Financial liabilities at amortised cost:				
- Trade payables	24,172	20,228	-	-
- Other payables	9,669	8,891	4,389	3,574
- Borrowings	7,023	5,250	-	-
- Lease liabilities	738	1,062	117	180
- Other financial liabilities	3,307	3,498	-	-
	44,909	38,929	4,506	3,754

Capital risk management objectives and policies

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

Management monitors capital based on gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 2.5 times (2024: 2.5 times).

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

	Group	
	2025 \$’000	2024 \$’000
Total debts (Note 12)	7,023	5,250
Total tangible net worth	10,874	14,602
Gearing ratio	0.65 times	0.36 times

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2025 and 31 December 2024.

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(Amounts in thousands of Singapore dollars (“\$’000”))

28. FAIR VALUES OF ASSETS AND LIABILITIES

The carrying amounts of financial assets and financial liabilities reported on the reporting date are reasonable approximation of their fair values due to their short-term nature.

The carrying amount of interest-bearing borrowings approximates the fair value. The fair value is calculated based on the discounted expected future principal and interest cash flow. The discounted rates used are based on market rates for similar instruments at the reporting date.

29. SUBSEQUENT EVENT

On 27 February 2026, shareholders’ approval for the acquisition of 49% of the issued and paid-up share capital of DIVW (refer Note 6) has been obtained at an EGM. On 1 April 2026, the Company and the vendor, InfraCo have mutually agreed in writing to extend the completion of the first tranche to 21 April 2026.

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

Group accounting

(i) Subsidiaries

Basis of consolidation

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

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

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

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(Amounts in thousands of Singapore dollars (“\$’000”))

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(ii) Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Company.

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

Investment in subsidiaries

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

Currency translation

(i) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) Translation of the Group’s financial statements

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised into other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment except for freehold lands are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction in progress includes all cost of construction and other direct costs. Cost includes professional fees is capitalised in accordance with the Group’s accounting policy. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss within “other income / (expenses)”.

Intangible assets

(i) Goodwill on acquisition

Goodwill on acquisition of subsidiaries or businesses represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

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

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Certain portion of goodwill arose from a change in parent’s ownership interests in a subsidiary (after control is obtained) before July 2009. The revised SFRS(I) 1-27 which was issued on 1 July 2009 did not require retrospective adjustment be made on goodwill that was recognised prior to 1 July 2009 and allowed the goodwill to be stated at carrying value as of 1 July 2009.

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(Amounts in thousands of Singapore dollars (“\$’000”))

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(i) Goodwill on acquisition (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and are recognised in profit or loss in the financial year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

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(Amounts in thousands of Singapore dollars (“\$’000”))

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

(ii) Other intangible assets (Continued)

Computer software and others

Computer software and others are measured at fair values less accumulated amortisation and accumulated impairment losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful lives of 3 to 5 years.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent on those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

(i) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. Other financial assets and financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Trade receivables without financing component are initially measured at the transaction price in accordance with SFRS(I) 15. Other financial assets or financial liabilities are initially recognised at fair value plus, in the case of financial assets or liabilities not at fair value through profit or loss, directly attributable transaction costs.

When the Group enters into contract that contains an obligation for the Group to purchase its own equity instruments for cash or other financial asset, this gives rise to a financial liability for the present value of the redemption amount.

(ii) Classification and subsequent measurement

Financial assets

Financial assets are classified and subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, at the following categories:

- Amortised costs
- Fair value through Other Comprehensive Income (FVOCI) – Debt investments
- FVOCI – Equity investments
- Fair value through profit or loss (FVPL)

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case such reclassification will be applied prospectively from the reclassification date.

Financial assets at amortised costs

Unless designated at FVPL, financial assets are measured at amortised costs if:

- It is held within a business model with an objective to hold the assets to collect contractual cash flows; and
- Its contractual cash flows comprise of solely principal and interest on the principal amount outstanding.

These assets, mainly trade and other receivables (excludes prepayments, advances to suppliers and GST / VAT receivables) and cash and cash equivalents, are subsequently measured at amortised costs using the effective interest rate method, which is reduced by impairment losses. Interest income, foreign exchange differences, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As at the reporting date, the Group does not have other categories of financial assets except for financial assets at amortised costs.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised costs unless it is held for trading (including derivative liabilities), or designated as financial liabilities at FVPL on initial recognition to significantly reduce accounting mismatch or when a group of financial liabilities are managed whose performance is evaluated on a fair value basis.

Financial liabilities at amortised costs are subsequently measured at amortised costs using the effective interest rate method. Interest expense and foreign exchange differences are recognised in profit or loss. These financial liabilities mainly comprise trade and other payables (excludes contract liabilities, GST payables and provision for unutilised leave), borrowings and lease liabilities.

Financial liabilities at FVPL are measured at fair value with net gains and losses (including interest expense) recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

As at the reporting date, the Group does not have other categories of financial liabilities except for financial liabilities at amortised costs.

(iii) Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets. On derecognition of a financial asset in its entirety, the difference between the carrying amount measured at the derecognition date and the sum of the consideration received is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished, or transferred and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets and liabilities (Continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in an active market (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets and the financial liabilities are the current bid prices and the current asking prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials and trading goods comprise of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. These costs are assigned on first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

Where necessary, allowance is provided for damage, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for onerous contracts on uncompleted contracts is recognised immediately in profit or loss when it is determinable.

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(Amounts in thousands of Singapore dollars (“\$’000”))

30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Borrowings

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

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the reporting date are included in the current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Leases

The Group assess whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

As lessee

At the lease commencement date, the Group recognises a Right-of-Use (“ROU”) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and low-value leases as described below.

ROU asset

ROU assets are initially measured at cost, which comprise initial amount of lease liability, any lease payment made at or before commencement date, plus initial direct costs incurred, less lease incentives received. Initial direct costs are costs that would not have been incurred if the lease had not been obtained.

Whenever the Group incurs obligations for costs to dismantle and remove a leased asset, restore the site or the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised and measured under SFRS(I) 1-37; and included in the carrying amount of the ROU assets to the extent that the costs relate to a ROU asset.

ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses. ROU assets are depreciated from commencement date to the earlier of end of lease terms and useful life of the ROU assets. In addition, the ROU assets are also adjusted for certain remeasurement of lease liability.

ROU assets are presented as a separate line item on the statements of financial position.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

As lessee (Continued)

Lease liability

Lease liability is initially measured at the present value of lease payments discounted using interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate, which is estimated by reference to interest rates from various external financing sources for similar terms such as lease terms, type of assets leases and economic environment.

The following lease payments are included in the measurement of lease liability:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using effective interest method. Remeasurement of lease liability (and corresponding adjustment to ROU asset, or to profit or loss when the ROU asset has been reduced to zero) is required when there is:

- a change in future lease payments arising from changes in an index or rate, in which case the initial discount rate is used;
- a change in the Group’s assessment of whether it will exercise an extension or termination option, in which case a revised discount rate is used; or
- modification in the scope or the consideration of the lease that was not part of the original term and not accounted for as separate lease, in which case a revised discount rate at effective date of modification is used.

The Group presents the lease liabilities as a separate line item on the statements of financial position.

Exemption / exclusion

The following leases / lease payments are not included in lease liabilities and ROU assets:

- The Group has elected not to recognise ROU assets and lease liabilities for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For such leases, the Group recognises the lease payments in profit or loss as an operating expense on a straight-line basis over the lease term.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with all the attached conditions. Where the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is amortised to profit or loss over a systematic basis over the expected useful life of the relevant asset.

When the grant relates to expenses, it is recognised in profit or loss as other income on a systematic basis in periods in which the related costs, for which it intended to compensate, are recognised as expenses, unless the conditions are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

Employees’ benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Retirement benefits

The Group and the Company participate in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company and certain subsidiaries make contribution to the Central Provident Fund (“CPF”) Scheme in Singapore, a defined contribution pension scheme.

Foreign subsidiaries

The subsidiaries incorporated and operating in Malaysia, PRC and Vietnam are required to provide certain retirement plan contribution to their employees under the existing regulations. Contributions are provided at the rates stipulated by the regulations in the countries where the subsidiaries operate.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(iii) Employee leave entitlement

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

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Borrowing costs

All borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income taxes for current and prior periods are recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that (i) affects neither the taxable profit nor the accounting profit and (ii) does not give rise to equal and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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30. SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person’s family is related to the Group and the Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management.

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not adopted the new or revised standards and interpretations that have been issued but not yet effective. Except for SFRS(I) 18 *Presentation and Disclosure in Financial Statements*, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 18 is described below.

SFRS(I) 18 *Presentation and Disclosure in Financial Statements*

SFRS(I) 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories which include operating, investing, financing, income taxes and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

(Amounts in thousands of Singapore dollars (“\$’000”))

31. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

SFRS(I) 18 Presentation and Disclosure in Financial Statements (Continued)

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified “roles” of the primary financial statements and the notes.

In addition, narrow scope of amendments been made to SFRS(I) 1-7 *Statements of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from “profit or loss” to “operating profit or loss” and removing the optionality around classification of cash flows from dividend and interest. There are consequential amendments to several other standards.

These amendments are effective for annual periods beginning on or after 1 January 2027, to be applied on retrospective basis. Earlier application is permitted.

SFRS(I) 19 Subsidiaries without Public Accountability: Disclosures

SFRS(I) 19 allows eligible subsidiaries to apply the Financial Reporting Standards in Singapore with reduced disclosure requirements of FRS 119.

A subsidiary may choose to apply this Standard in its consolidated, separate or individual financial statements provided that if and only if, at the end of reporting period:

- It is a subsidiary
- It does not have public accountability, where an entity has public accountability if
 - a) Its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or
 - b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion)
- It has an ultimate or intermediate parent that produces consolidated financial statements available for public use.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2026

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	291	15.76	13,409	0.01
100 – 1,000	901	48.78	427,101	0.46
1,001 – 10,000	500	27.07	1,738,962	1.85
10,001 – 1,000,000	146	7.90	10,819,418	11.53
1,000,001 AND ABOVE	9	0.49	80,832,602	86.15
TOTAL	1,847	100.00	93,831,492	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	WANG ZHI	45,969,018	48.99
2	STONE ROBERT ALEXANDER	10,957,000	11.68
3	KGI SECURITIES (SINGAPORE) PTE. LTD	9,562,227	10.19
4	UOB KAY HIAN PRIVATE LIMITED	4,351,491	4.64
5	TAN ENG CHUA EDWIN	2,979,266	3.18
6	CAPITAL BOOM LIMITED	2,500,000	2.66
7	HELEN YANG	1,608,640	1.71
8	HUANG JIAN	1,504,800	1.60
9	HUANG LINGXI	1,400,160	1.49
10	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	745,210	0.79
11	DBS NOMINEES (PRIVATE) LIMITED	513,621	0.55
12	FENG JUN	501,200	0.53
13	CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD.	474,505	0.51
14	TAN TJIN GUAN @ JIO TJIN GUAN	410,770	0.44
15	YEO CHUNG CHEN JOHNNY@TAN CHUNG CHEN JOHNNY	403,295	0.43
16	PHILLIP SECURITIES PTE LTD	344,000	0.37
17	MAYBANK SECURITIES PTE. LTD.	305,451	0.33
18	ROBERT RONALD	301,150	0.32
19	OCBC SECURITIES PRIVATE LIMITED	276,540	0.29
20	NG MUI KIANG	231,555	0.25
TOTAL		85,339,899	90.95

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2026

SUBSTANTIAL SHAREHOLDER AS AT 24 MARCH 2026

(As recorded in the Register of Substantial Shareholders)

Substantial shareholders		Direct interest		Deemed interest	
No.	Name	No. of shares held	%	No. of shares held	%
1	WANG ZHI	45,969,018	48.99%	159,200	0.17%
2	STONE ROBERT ALEXANDER	10,957,000	11.68%	–	–
3	WAH LEE INDUSTRIAL CORP.	–	–	7,649,782	8.15%

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 24 March 2026, 28.74% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Darco Water Technologies Limited (the “**Company**”) will be convened and held at 60 Cecil Street, #03-02 ISCA House, Singapore 049709 on Wednesday, 29 April 2026 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Director’s Statement of the Company and the Group for the financial year ended 31 December 2025 together with the Auditors’ Report thereon. **[Resolution 1]**
2. To approve the payment of Directors’ fees of S\$142,000 for the financial year ending 31 December 2026, payable quarterly in arrears. (2025: S\$142,000) **[Resolution 2]**
3. To re-elect the following Directors retiring pursuant to Regulation 106 of the Company’s Constitution:
 - (a) Mr Wang Zhi **[Resolution 3(a)]**
Note: Mr Wang Zhi will, upon re-election as a Director of the Company, remain as Executive Director and Executive Chairman of the Company and a member of the Nominating Committee.
 - (b) Dr Zhang Zhenpeng **[Resolution 3(b)]**
Note: Dr Zhang Zhenpeng will, upon election as a Director of the Company, remain as Executive Director, Chief Executive Officer of the Company, and Chairman of the Investment Committee.
 - (c) Mr Sim Guan Seng **[Resolution 3(c)]**
*Note: Mr Sim Guan Seng will, upon election as a Director of the Company, remain as Lead Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).*
 - (d) Mr Lai Hock Meng **[Resolution 3(d)]**
Note: Mr Lai Hock Meng will, upon re-election as a Director of the Company, remain as Independent Non-Executive Director of the Company, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
 - (e) Mr Niu Liming **[Resolution 3(e)]**
Note: Mr Niu Liming will, upon re-election as a Director of the Company, remain as Independent Non-Executive Director of the Company, Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
4. To re-appoint Crowe Horwath First Trust LLP, Public Accountants and Chartered Accountants, as the Company’s Auditors and to authorise the Directors to fix their remuneration. **[Resolution 4]**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

6. Authority to allot and issue new Shares in the capital of the Company and/or instruments

That pursuant to Section 161 of the Companies Act 1967 (the “**Act**”) and Rule 806 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue new shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require new Shares to be allotted and issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

- (b) notwithstanding the authority conferred by this Resolution may have ceased to be in force, allot and issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:
 - (1) the aggregate number of new Shares (including shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of new Shares to be allotted and issued other than on a pro rata basis to Shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with subparagraph (2) below);
 - (2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be allotted and issued under sub-paragraph (1) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time this Resolution is passed after adjusting for:–
 - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

- (b) new Shares arising from exercising of share options or vesting of share awards, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Any adjustments made in accordance with sub-paragraphs (2)(a) or (2)(b) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company for the time being; and
- (4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (1)]

[Resolution 5]

By Order of the Board of
Darco Water Technologies Limited

Dr. Zhang Zhenpeng
Executive Director and Chief Executive Officer
14 April 2026

Explanatory Notes:

1. The Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date 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 or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company. For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes to members on arrangements for the Annual General Meeting:

1. The Annual General Meeting (“AGM”) will be held at 60 Cecil Street, #03-02 ISCA House, Singapore 049709 on Wednesday, 29 April 2026 at 10.00 a.m. for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in this Notice of AGM. **There will be no option for members to participate virtually.**

NOTICE OF ANNUAL GENERAL MEETING

2. **No printed copies of the annual report for the financial year ended 31 December 2025 (“FY2025 Annual Report”) will be despatched to members.** Members may request for a printed copy of the FY2025 Annual Report by completing and returning the request form (sent to them by post together with printed copies of this Notice of AGM and the accompanying Proxy Form) no later than 10.00 a.m. on Wednesday, 22 April 2026. Printed copies of this Notice of AGM and the Proxy Form will be sent to members. This Notice of Annual General Meeting, Proxy Form, request form and the FY2025 Annual Report may also be accessed at the Company’s website at the URL <https://darcowater.com/investor-information/annual-general-meeting/> and through SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. Arrangements relating to attendance at the AGM, submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant comments, queries and/or questions before the AGM, and voting by appointing proxy(ies) (including the Chairman of the Meeting), are set out in this Notice of AGM. Please refer to the section titled “**Key dates/deadlines**” below for the relevant steps and details for members to participate at the AGM.
4. **There will be no option for members to participate virtually at the AGM. A member (whether individual or corporate) must vote live at the AGM or must appoint proxy(ies) (including the Chairman of the Meeting), to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the Annual General Meeting of the Company may also be accessed at the Company’s website at the URL <https://darcowater.com/investor-information/annual-general-meeting/> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints proxy(ies) (other than the Chairman of the Meeting), or appoints the Chairman of the Meeting as his/her/its proxy as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the proxy(ies) will vote or abstain from voting at his/her/their discretion.
5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF agent banks, SRS operators or relevant intermediaries to submit their votes and/or questions relating to the resolutions tabled for approval at the Annual General Meeting by Friday, 17 April 2026 at 5.00 p.m.
6. Duly appointed proxy(ies), including the Chairman of the Meeting, acting as proxy, need not be a member of the Company.
7. The Proxy Form must be submitted to the Company in the following manners:
 - (i) if submitted by post, be deposited at registered office of the Company at 1 Commonwealth Lane #09-06, One Commonwealth, Singapore 149544; or
 - (ii) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the [Company at agm@darcowater.com](mailto:Company_at_agm@darcowater.com),

in either case, at least 48 hours before the time fixed for holding the Annual General Meeting of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **Members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or services providers) for the purpose of the processing and administration by the Company (or its agents or services providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or services providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or services providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

Key dates/deadlines:

Key Dates	Events and Information
5.00 p.m. on Friday, 17 April 2026	Deadline for CPF/SRS investors, including persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), who wish to appoint the Chairman of the Meeting as proxy to approach their respective CPF agent banks, SRS operators or relevant intermediaries to submit their votes and/or questions related to the resolutions to be tabled for approval at the Annual General Meeting.
10.00 a.m. on Wednesday, 22 April 2026	Deadline for members to submit comments, queries and/or questions in advance of the Annual General Meeting of the Company.
10.00 a.m. on Friday, 24 April 2026	The Company will endeavour to address all substantial and relevant questions, comments and/or queries received from members relating to the resolutions in the Notice of AGM prior to or at the AGM, by publishing its responses to the questions on the Company's website at the URL https://darcowater.com/investor-information/annual-general-meeting/ and SGXNET at the URL https://www.sgx.com/securities/company-announcements .
10.00 a.m. on Monday, 27 April 2026	<p>Deadline for members to submit Proxy Forms to appoint proxy(ies) (including the Chairman of the Meeting) to attend, submit question(s) and vote at the Annual General Meeting of the Company. The Proxy Form must be submitted to the Company in the following manner:</p> <ul style="list-style-type: none"> (i) if submitted by post, be deposited at registered office of the Company at 1 Commonwealth Lane #09-06, One Commonwealth, Singapore 149544; or (ii) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at agm@darcowater.com. <p>Members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.</p>
10.00 a.m. on Wednesday, 29 April 2026	Members and (where applicable) duly appointed proxies and representatives may participate at the AGM at 60 Cecil Street, #03-02 ISCA House, Singapore 049709. There will be no option for members to participate virtually.
By Friday, 29 May 2026	The Company will publish the minutes of AGM on the Company's website at the URL https://darcowater.com/investor-information/annual-general-meeting/ and on SGXNET at the URL https://www.sgx.com/securities/company-announcements within one (1) month after the AGM.

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PROXY FORM

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration Number: 200106732C)

(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

IMPORTANT:

1. The Annual General Meeting ("AGM") is being convened, and will be held at 60 Cecil Street, #03-02 ISCA House, Singapore 049709.
2. The Notice of AGM is also accessible (a) via publication on the Company's website at the URL <https://darcowater.com/investor-information/annual-general-meeting/>; and (b) via publication on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. CPF or SRS investors who wish to appoint the Chairman of the meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM.
4. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2026.
5. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We, _____ (Name) _____ (NRIC/Passport/Company Registration Number)
of _____ (Address)
being member/members* of **DARCO WATER TECHNOLOGIES LIMITED** (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares (Ordinary Shares)	%

and/or *(please delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares (Ordinary Shares)	%

or failing which, the Chairman of the Annual General Meeting ("AGM") as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM to be convened and held at 60 Cecil Street, #03-02 ISCA House, Singapore 049709 on Wednesday, 29 April 2026 at 10.00 a.m. and at any adjournment thereof. I/We direct *my/our *proxy/proxies to vote for or against, or abstain from voting on the resolutions proposed at the AGM as indicated hereunder:

	Ordinary Resolutions relating to:	For	Against	Abstain
	Ordinary Business			
1.	To adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 31 December 2025			
2.	Approval of Directors' fees amounting to S\$142,000 for the financial year ending 31 December 2026, payable quarterly in arrears (2025: S\$142,000)			
3(a).	Re-election of Mr Wang Zhi as a Director of the Company (Retiring pursuant to Regulation 106)			
3(b).	Re-election of Dr Zhang Zhenpeng as a Director of the Company (Retiring pursuant to Regulation 106)			
3(c).	Re-election of Mr Sim Guan Seng as a Director of the Company (Retiring pursuant to Regulation 106)			
3(d).	Re-election of Mr Lai Hock Meng as a Director of the Company (Retiring pursuant to Regulation 106)			
3(e).	Re-election of Mr Niu Liming as a Director of the Company (Retiring pursuant to Regulation 106)			
4.	Re-appointment of Crowe Horwath First Trust LLP, Public Accountants and Chartered Accountants, as the Company's auditors and to authorise the Directors to fix their remuneration			
	Special Business			
5.	Authority to allot and issue new Shares in the capital of the Company and/or Instruments			

If you wish to appoint proxy(ies) (other than the Chairman of the Meeting), or appoint the Chairman of the Meeting as your proxy to cast all your votes For or Against a resolution, please tick with "√" in the "For" or "Against" box in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish to appoint proxy(ies) (other than the Chairman of the Meeting), or appoint the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please tick with "√" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting, as your proxy, is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the proxy(ies) will vote or abstain from voting at his/her/their discretion.

Voting will be conducted by poll

Dated this _____ day of _____ 2026

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

Total Number of Shares	Number of Shares
CDP Register	
Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. The Annual General Meeting (“**AGM**”) will be held at 60 Cecil Street, #03-02 ISCA House, Singapore 049709 on Wednesday, 29 April 2026 at 10.00 a.m. for the purpose of considering and if thought fit, passing, with or without any modification, the Ordinary Resolutions set out in the Notice of AGM. **There will be no option for members to participate virtually.**
2. No printed copies of the annual report for the financial year ended 31 December 2025 (“**FY2025 Annual Report**”) will be despatched to members. Members may request for a printed copy of the FY2025 Annual Report by completing and returning the request form (sent to them by post together with printed copies of the Notice of Annual General Meeting (“**Notice of AGM**”) and the accompanying Proxy Form) no later than 10.00 a.m. on Wednesday, 22 April 2026. Printed copies of the Notice of AGM and this Proxy Form will be sent to members. The Notice of AGM, Proxy Form, request form and the FY2025 Annual Report may be accessed at the Company’s website at the URL <https://darcowater.com/investor-information/annual-general-meeting/> and through SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. Arrangements relating to attendance at the AGM, submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant comments, queries and/or questions before the AGM, and voting by appointing proxy(ies) (including the Chairman of the Meeting), are set out in the Notice of AGM. Please refer to the section titled “**Key dates/deadlines**” in the Notice of AGM for the relevant steps and details for members to participate at the AGM.
4. Please insert the total number of shares held by you. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If no number is inserted, this Proxy Form shall be deemed to relate to all the shares held by you.
5. **There will be no option for members to participate virtually at the AGM. A member (whether individual or corporate) must vote live at the AGM or must appoint proxy(ies) (including the Chairman of the Meeting), to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the Annual General Meeting of the Company may also be accessed at the Company’s website at the URL <https://darcowater.com/investor-information/annual-general-meeting/> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints proxy(ies) (other than the Chairman of the Meeting), or appoints the Chairman of the Meeting as his/her/its proxy as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the proxy(ies) will vote or abstain from voting at his/her/their discretion.
6. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF agent banks, SRS operators or relevant intermediaries to submit their votes and/or questions relating to the resolutions tabled for approval at the Annual General Meeting by Friday, 17 April 2026 at 5.00 p.m.
7. Duly appointed proxy(ies), including the Chairman of the Meeting, as proxy, need not be a member of the Company.
8. The proxy form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged with registered office of the Company at 1 Commonwealth Lane, #09-06 One Commonwealth, Singapore 149544; or
 - (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at agm@darcowater.com,
in either case, by 10.00 a.m. on Monday, 27 April 2026, being at least **48 hours** before the time for holding the AGM. A member who wishes to submit this Proxy Form must first download, complete and sign this Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **Members are strongly encouraged to submit completed proxy forms electronically via email.**
9. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
10. Where the proxy form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.
11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register **72 hours before the time set for the AGM.**

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or services providers) for the purpose of the processing and administration by the Company (or its agents or services providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or services providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or services providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.



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