

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)

(Incorporated in the Republic of Singapore)

CLARIFICATION ANNOUNCEMENT TO SGX QUERIES REGARDING THE INDEPENDENT AUDITORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 ("FY2014")

The Board of Directors ("Board") of Darco Water Technologies Limited (the "Company" and together with its subsidiaries, the "Group") would like to clarify the matters raised by the Singapore Exchange Securities Trading Limited ("SGX") on 6 April 2015, with reference to the Independent Auditor's report containing a Qualified Opinion and Emphasis of Matter in the Company's Annual Report for FY2014 which were also announced on SGXNET on 7 April 2015, as follows:

SGX Query 1:

"The Board's confirmation on whether (i) sufficient information is disclosed for the trading of the Company's securities to continue in an orderly manner, and (ii) the basis for its views"

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner. The Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement. Nevertheless, the Company is continuously in pursuit of Mergers and Acquisitions and business development opportunities as described in our full year results announcement made on 27 February 2015, and will update shareholders as and when there are any material developments on these fronts.

SGX Query 2:

"Whether the Board is of the opinion that the Company and the Group can continue as going concerns"

With reference to the "Emphasis of Matter" segment in the Independent Auditors' Report for FY2014 on page 44 & 45 of the Company's Annual Report for FY2014, the Board is of the opinion that the Company and the Group can continue as a going concern.

The Company is an Investment Holding entity, whereby its assets are normally deployed to various subsidiaries within the Group. It is inevitable that current assets in the investment holding entity will be artificially low, and as the Independent Auditor has remarked, "the Company's current liabilities have exceeded its current assets by \$3,526,000". However, it was also noted that the financial position of the Company as a consolidated Group remains healthy, and as stated in the phrase that follows, i.e. "the Group's current assets have exceeded its current liabilities by \$5,715,000."

The Independent Auditor continues to state that, even though the Group has incurred a negative operating cash flows of S\$1,041,000 for the financial year ended 31 December 2014 and that the Group has several on-going litigations relating to its Taiwan operations as at 31 December 2014, "the Company has, subsequent to 31 December 2014 been successful in a fund raising exercise via the issuance of the Rights Shares as disclosed in Note 31 to the financial statements, and are still seeking to secure new profitable contracts so as to generate positive operating cash flows to the Group and the Company." The Rights Issue was oversubscribed, as announced on 4 March 2015, and the Company has received gross proceeds of approximately S\$8.1 million from the exercise.

The Company has also turned its business around, from a recorded consolidated loss position of S\$8,836,000 in FY2013, to a profit of S\$290,000 in FY2014. (See page 48 of the Company's Annual Report for FY2014).

By order of the Board
DARCO WATER TECHNOLOGIES LIMITED

Thye Kim Meng
Managing Director and Chief Executive Officer
28 April 2015