



**SOLUTIONS TO WATER & WASTE**  
**DARCO WATER TECHNOLOGIES LIMITED**  
(Company Registration No. 200106732C)  
(Incorporated in the Republic of Singapore)

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**RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES  
ON THE COMPANY'S ANNOUNCEMENT – UNAUDITED FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30 JUNE 2020**

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The Board of Directors ("**Directors**") of Darco Water Technologies Limited ("**Company**") and together with its subsidiaries, collectively, "**Group**") refers to the Company's unaudited financial statements for the half year ended 30 June 2020 released on the SGXNET on 14 August 2020. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 31 August 2020 (each, an "**SGX Query**") as follows:

**SGX Query 1:**

With reference to the unaudited financial statements for the period ended 30 June 2020, it is disclosed that "The decrease in trade payables is mainly due to the reduction in outstanding trade payables in Singapore and Malaysia, from \$1.3 million and \$3.4 million as at 31 December 2019, to \$0.01 million and \$2.9 mil as at 30 June 2020, respectively." Please explain the reason for the reduction in outstanding trade payables in Singapore and Malaysia.

**Company's response to SGX Query 1:**

Due to various restrictive measures taken by the government and introduction of new safe distancing regulations within the construction industry post-Covid19 Circuit Breaker, construction work in Singapore between the period of April to June 2020 had been slow. In tandem with this development, our Singapore subsidiary has slowed down the order of materials, causing the drop in the trade payables as at 30 June 2020.

Meanwhile, the trading activities in our Malaysia subsidiaries have also experienced a downturn since the implementation of the Movement Control Order in March 2020. Some of our customers in Malaysia have either shut down their plants or reduced their capacity, resulting in lesser trading activities. This reduction in purchases from trading activities is reflective of the reduction in trade payables in Malaysia subsidiaries.

**SGX Query 2:**

It is disclosed on page 12 of the unaudited financial statements that, “Trade receivables has decreased from \$32.2 million as at 31 December 2019 to \$24.0 million as at 30 June 2020, mainly due to the lower outstanding billing in Singapore, Malaysia and China subsidiaries.” Please explain the reason for the lower outstanding billing in these subsidiaries.

**Company’s response to SGX Query 2:**

The reduction in the trade receivables in our Malaysia and Singapore is mainly due to the slowdown in business activities. Lesser trading and construction activities in 1H2020 have resulted in lesser billings, and therefore lower outstanding billing as at 30 June 2020.

In China, our subsidiary has been focusing on collection of outstanding debts during the first half of 2020. The decrease in outstanding trade receivables in our China subsidiary is mainly due to the subsidiary having received repayment from several major customers in 1H2020.

**SGX Query 3:**

Please disclose the Board’s assessment of the recoverability of the Group’s trade and other receivables, including refundable deposits, of \$50,447,000 as at 30 June 2020, and its bases of assessment.

**Company’s response to SGX Query 3:**

The management assesses the collectability of trade receivables regularly, by considering various factors such as financial condition of the customers, payment history and age of trade debts. Impairment on specific trade receivables would be made if the chance of recovery is deemed low. Additionally, the Expected Credit Losses (“ECL”) model is also being applied to determine the loss allowance for trade receivables based on historical observed default rates adjusted for forward-looking estimates in accordance with SFRS(I) 9.

The Board views that the management has made a thorough review of the trade and other receivables (including refundable deposits), and is satisfied with its recoverability, and that no further impairment is needed.

**By Order of the Board**

Poh Kok Hong  
Chief Executive Officer  
2 September 2020