



SOLUTIONS TO WATER & WASTE

DARCO WATER TECHNOLOGIES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200106732C)

RESPONSES TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES ON THE COMPANY'S ANNOUNCEMENT – ENTRY INTO A NON-BINDING LETTER OF INTENT WITH EMSUS CO. LTD.

The Board of Directors ("**Directors**") of Darco Water Technologies Limited ("**Company**") and together with its subsidiaries, collectively, "**Group**") refers to the Company's announcement on the entry into a non-binding letter of intent with Emsus Co., Ltd (the "**Seller**") released on the SGXNET 25 October 2019.

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to them in the Previous Announcement.

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 31 October 2019 (each, an "**SGX Query**") as follows:

SGX Query (a):

We refer to the announcement issued by the Company on 25 October 2019 entitled "Entry into a non-binding letter of intent with Emsus Co. Ltd.". Please disclose the salient terms of the acquisition.

Company's response to SGX Query (a):

Please refer to the Company's announcement relating to the entry into the conditional sale and purchase agreement with the Seller released on SGXNET on 4 November 2019 (the "**CSPA Announcement**").

SGX Query (b):

Please elaborate on the safeguards that have been put in place to recover the Earnest Monies if required.

Company's response to SGX Query (b):

The decision to commit the Earnest Monies was a business decision which the Company had deliberated upon. The majority of the Board is of the opinion that it is not unusual for companies to place earnest monies in order to secure certain projects. By way of background, there had been pressure placed on the Seller to offer the deal to other parties. Hence, in order to show the Company's commitment to the deal, and after consideration and deliberation by the Board, who had taken into consideration the circumstances and certain factors such as the benefit of

securing exclusivity for the deal, the Company had decided to commit the Earnest Monies. In addition, the controlling shareholder of the Company, Wang Zhi, had indicated that in the event the Company decides not to proceed with the deal, he will be able to place the deal out to other external parties.

SGX Query (c):

Please provide information on the party who introduced the deal to the Company.

Company's response to SGX Query (c):

There is no introducer for this deal and there were no introducer fees paid out by the Company. This deal came through a lead from the Company's controlling shareholder, Wang Zhi. The management of the Company subsequently followed up and liaised directly with the Seller to explore the viability of the deal.

SGX Query (d):

Please provide the reason as to why the announcement was only made on 25 October 2019 when the non-binding letter of intent has been entered into on 30 August 2019.

Company's response to SGX Query (d):

Prior to 25 October 2019, the Company had been able to comply with Rule 703 of the Listing Manual of the SGX-ST in ensuring that the information remained confidential and hence did not require disclosure. However, as the Company has increasingly been reaching out to other parties in preparation for the conduct of due diligence in connection with the deal, the Company could no longer meet the requirements of Rule 703 of the Listing Manual of the SGX-ST moving forward. Hence, the Company had decided to make the announcement on 25 October 2019.

SGX Query (e):

Please provide further elaboration on Emsus and PEI, including their principal activities, as well as disclose the relationship between Emsus and PEI.

Company's response to SGX Query (e):

Please refer to the CSPA Announcement.

SGX Query (f):

Please disclose information on the directors and shareholders of PEI and Emsus.

Company's response to SGX Query (f):

Please refer to the CSPA Announcement.

SGX Query (g):

Please disclose if there is any connection (including business relationship) between Emsus and PEI, their directors and substantial shareholders with the Company, its directors and substantial shareholders.

Company's response to SGX Query (g):

Please refer to the CSPA Announcement.

SGX Query (h):

Please provide further information about the Project and its progress.

Company's response to SGX Query (h):

Please refer to the CSPA Announcement

SGX Query (i):

Please identify the party holding the remaining 25% of PEI.

Company's response to SGX Query (i):

Please refer to the CSPA Announcement.

SGX Query (j):

Please provide key financial informations of PEI and Emsus for the latest financial period and completed financial year.

Company's response to SGX Query (j):

Please refer to the CSPA Announcement for key financial information on PEI.

The Company is not in a position to reveal the financial information of the Seller.

BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

4 November 2019