

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

BOARD GOVERNANCE MATTERS

The board of directors (the “**Board**”) of Darco Water Technologies Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 26 June 2020 entitled “*Retirement of Directors and Changes in Composition of Board and Board Committees*” (“**Board Composition Announcement**”) and the Board further refers to the Company’s announcement also dated on 26 June 2020 entitled “*Announcement of Cessation of Non-Executive Independent Director*” (“**Cessation Announcement**”, together with Board Composition Announcement, the “**Announcements**”).

The Board notes from the Cessation Announcement that the retired Director, Mr Tay Von Kian, had included certain comments on the Indonesian waste management project (referred to as the “**Nambo Project**”) as well as his views on certain other matters including those relating to the corporate governance of the Company and the aborted placement of shares in early January 2020 in response to the question on whether there were certain unresolved differences in opinion on material matters between Mr Tay and the Board and the question on whether there are matters to be brought to the attention of Shareholders (“**Cessation Announcement Standard Queries**”). The Board further notes that Mr Tay had made clear that the comments and views expressed were his own.

Whilst the Board does not propose reply to each and every comment and view which Mr Tay had expressed, it would be useful for the Board to clarify and put in context certain of Mr Tay’s response to the Cessation Announcement Standard Queries:

1. In one of his comments, Mr Tay had commented that with the retirement of the two longer serving Independent Directors, the Company’s corporate governance “will need to improve going moving forward”, giving the impression that it was the two longer serving Independent Directors who had been upholding corporate governance standards of the Company. The Board would like to highlight that a number of initiatives to enhance corporate governance had been undertaken by the Company only after the current remaining Independent Directors were appointed to the Board in May 2019, such initiatives whereof include the following:
 - The engagement of BDO LLP to carry out an audit on the internal control processes, review of past projects/investments, review of Group Charter and the adoption of a new charter to address and improve on areas identified with internal control weaknesses.

- The conduct of a shareholders' forum in late 2019 in response to Shareholders' request for an opportunity to have a dialogue with the Management following the change of leadership of the Company.
 - The direction given to the Management to appoint a compliance advisor to provide the Company with guidance on compliance as well as further enhance the corporate governance standard.
2. Mr Tay had also commented that the Nambo Project was mainly driven by one Director with the rest of the Directors merely trying to mitigate the Company's exposure. The Board would like to refer Shareholders to its announcement released earlier today (*"Further response to certain points raised in the article appearing in the 26 June 2020 edition of The Business Times entitled, "No Need for Deputy Chairman to Recuse Himself from Indon Project"*) which maps out in detail the basis and rationale upon which the Board has, by majority approval, come to the decision that the Management should proceed with the investment in the Project through an acquisition of the 75% shareholding interest in PT Panghegar Energy Indonesia. The Board strongly disagrees with Mr Tay's characterization of the Board decision as being driven by a single Director with the rest of the Directors only finding ways to mitigate the Company's exposure. In this regard, the Board notes that Mr Tay had made clear that this "observation remain [sic] my view of the matter and should not be construed as a fact."
 3. In another response to the Cessation Announcement Standard Queries, Mr Tay had referred to the observation by an investor of unusual trading pattern and the circumstances surrounding Qarah Consultancy Pte. Ltd., the introducer, in relation the aborted placement exercise in January 2020 as reported in The Business Times (presumably the article that appeared in the 23 June 2020 edition), stating that what had been reported "will no doubt cause certain level of discomfort to me as a director of the Company" and that "as the matters highlighted in the article develop further, it will be debatable if I will feel comfortable enough to stay on." The Board notes that these statements by Mr Tay were made on the basis of what had been reported by The Business Times, which allegations have yet to be established or proven (in particular, allegations on unlawful trading activities and the suggested involvement of one of the Independent Directors in the aborted placement exercise through her link with Qarah Consultancy Pte. Ltd.). As stated in one of the Company's previous announcements, the Independent Director had confirmed that any connection or relationship between Qarah Consultancy Pte. Ltd. and her had already ceased since August 2019, way before the placement was announced. The Independent Director has also confirmed to the Company that she has had no knowledge whatsoever of the trades in question that were made. The Board is of the opinion that Mr Tay's aforesaid two statements are at best his personal observations and should not be construed as confirming that which had been reported.



BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

29 June 2020