

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

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**ADDITIONAL RESPONSES TO  
SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES IN RELATION TO  
THE COMPANY'S ANNOUNCEMENT DATED 25 JUNE 2020 SETTING OUT THE  
COMPANY'S RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS IN  
CONNECTION WITH THE ANNUAL GENERAL MEETING (AGM) HELD ON 26 JUNE 2020**

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**1. INTRODUCTION**

The Board of Directors (the "**Directors**" or the "**Board**") of Darco Water Technologies Limited (the "**Company**") and together with its subsidiaries, collectively, the "**Group**") refers to:

- (a) the Company's announcement dated 25 June 2020 setting out the Company's response to the questions received from shareholders of the Company ("**Shareholders**") that were relevant to the resolutions proposed to be passed at the annual general meeting of the Company ("**AGM**") held on 26 June 2020 and to the business of the Company ("**Shareholders' AGM Q&As**"); and
- (b) the Company's responses to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") concerning the responses of the Company to the Shareholders' AGM Q&As ("**SGX-ST Queries**") released by way of an announcement on 3 July 2020 ("**Responses to the SGX-ST Queries**"),

collectively, hereinafter referred to as the "**Previous Announcements**"

*Unless otherwise defined herein, capitalised terms used in this announcement shall have the meanings ascribed to them in the Previous Announcements.*

**2. ADDITIONAL RESPONSES TO THE SGX-ST QUERIES**

The Board would like to provide additional responses to the following SGX-ST Queries:

**SGX Query (a):**

*With regard to response 1(a), we note that the Company stated in its SGXNet announcement dated 13 January 2020 that "[the] placees are not related to the Group, and none of the Directors, the Company's controlling shareholders and/or their respective associates are connected with the Placees, and none of the Company's directors or substantial shareholders have, have, to the best of the Company's knowledge, any connection (including business relationship) with any of the*

*Placees and, in the case of Yunnan Sidu Investment Company Co., Ltd., its sole director and shareholder”.*

*Please confirm whether Mr Wang Zhi had any involvement in the placement process and provide details of the background of how Yunnan Sidu was identified and procured by the Introducer as one of the Placees for the proposed placement.*

**Company’s response to SGX Query (a):**

The Company was given to understand by the Introducer that the Introducer, as part of its business dealings as an introducer and to expand and maintain its business relations in the industry, makes regular company visits and attends various investment talks and networking events, during which it was introduced to and came to know of Yunnan Sidu. In response to a further enquiry, the Introducer has informed the Company as follows: (i) the principal of the Introducer first met a representative of Yunnan Sidu a few years ago in China and has been keeping in touch from time to time; (ii) as the representative of Yunnan Sidu has been expressing interest in businesses in the renewable and environment sectors, the Introducer reached out to Yunnan Sidu to consider an investment into the Company when the opportunity arose in the form of the placement.

As disclosed in the Company’s announcement on 13 January 2020 in relation to the proposed placement, Yunnan Sidu was then introduced to the Company by the Introducer, following which Yunnan Sidu proposed to make their investment in the Company based solely on their own assessment and evaluation of the Company (including its financials and prospects).

The Company is not aware of any connection or relationship between Mr Wang Zhi and Yunnan Sidu and the Company has not involved Mr Wang in the placement process other than in his capacity as a member of the Board.

As announced on 25 June 2020, the Company had previously received confirmation in writing from Mr Wang that there was no relationship between Yunan Sidu and Mr Wang.

Mr Wang has further confirmed through his legal counsel that there is no connection or relationship (including business relationship) between (i) Mr Wang Zhi and his associates; and (ii) Yunnan Sidu. Mr Wang Zhi has also confirmed through his legal counsel that he was not involved in the placement process, save in his capacity as a non-executive director of the Company, participating in the Company’s board discussions and deliberations.

**SGX Query (b):**

*With regard to response 2(c), we note that the Company stated in its SGXNet announcement dated 4 November 2019, entitled “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.” that “[this] deal came through a lead from the Company’s controlling shareholder, Wang Zhi”.*

*Please elaborate on how Mr Wang Zhi became aware of the deal and disclose his past transactions with Yunnan Water Investment Company Limited and its subsidiaries and associated companies, including Yunnan Water International Limited.*

**Company's response to SGX Query (b):**

In response to an enquiry from the Company, Mr Wang Zhi, through his legal counsel, has informed the Company that he had learned of the potential deal from Mr Steven Yee, the General Manager of Yunnan Water.

In addition, Mr Wang Zhi has, through his legal counsel, informed the Company of the following:

*"Prior to Mr Wang Zhi becoming a shareholder of the Company following completion of a placement on 23 March 2018 and Non-Executive Deputy Chairman on 3 April 2018, Mr Wang Zhi had entered into the following transactions with Yunnan Water:*

- (a) Dec 2015 and Feb 2018 – Yunnan Water acquired the equity interest in Future International Group Co. Ltd (晖泽集团有限公司) which was the holding company of Future Water (Qingzhou) Co Ltd (晖泽水务(青州)有限公司); 65% of the equity interest was acquired in cash in December 2015 and the remaining 35% of the equity interest was acquired in cash in February 2018.*
- (b) April 2017 – Yunnan Water acquired in cash the equity interest in Pan Asia International (Sishui) Co Ltd (泛亚国际(泗水)有限公司) which was 100% owned by Ms Zhang Hui who is the wife of Mr Wang. Pan Asia International (Sishui) Co Ltd is the holding company of Hohhot Chunhua KVV Water Treatment Co Ltd (呼和浩特春华嘉威水务有限责任公司).*
- (c) February 2018 – Yunnan Water conducted 2 further acquisitions through which Mr Wang was interested. Mr Wang is unable to disclose further details as a result of his contractual non-disclosure obligations."*

**SGX Query (c):**

*We refer to the Company's announcement of 11 November 2019 entitled "Responses to Singapore Exchange Securities Trading Limited's queries on the Company's announcement and update announcement – Proposed Acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia".*

*It is stated that "By way of further background, as at the date of the CSPA, Yunnan continues to hold a share pledge over the Sale Shares and Yunnan has agreed to the release of the share pledge to facilitate the transfer of the Sale Shares to the Company only upon assurance of the payment of US\$400,000 to it."*

*Please disclose: (i) the background of Yunnan Water (Hong Kong) Company Limited holding the share pledge; (ii) the relationship between Yunnan Water (Hong Kong) Company Limited and the Target & Seller in PT Panghegar Energy Indonesia; (iii) the due diligence conducted by the Board*

*on the proposed acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia.*

*Taking into consideration the responses to the questions and that “Mr Wang Zhi has previously given the Company an undertaking in writing to reimburse the Costs. Mr Wang Zhi has also, as a gesture of goodwill, offered to take over the project should the Company elect not to proceed with the Proposed Acquisition”, please provide us with the Audit Committee’s assessment and bases for its assessment as to whether Mr Wang Zhi should abstain from deliberations and decisions on the project, including whether or not to exercise the Reversal Option.*

**Company’s response to SGX Query (c):**

(i) **Background of Yunnan Water (Hong Kong) Company Limited holding the Share Pledge**

In addition to the disclosures made by the Company in its Responses to the SGX-ST Queries, Mr Wang Zhi (through his legal counsel) has clarified that the S\$400,000 that was injected into JBL was recorded as a security deposit for the original transaction between Emsus Co. Ltd. (as the seller) and Yunnan Water (Hong Kong) Company Limited (as the investor).

(ii) **Relationship between Yunnan Water (Hong Kong) Company Limited and the Target and Seller in PT Panghegar Energy Indonesia**

Mr Wang Zhi, through his legal counsel, has further confirmed that as announced by the Company on 4 November 2019, save for the transaction involving the acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia, there is no connection (including business relationship) between the Target, its directors and its substantial shareholders, with the Company, its directors and its substantial shareholders.

(iv) **Audit Committee’s assessment and bases for its assessment as to whether Mr Wang Zhi should abstain from deliberations and decisions on the project, including whether or not to exercise the Reversal Option**

In response to the Audit Committee’s recommendation, Mr Wang Zhi, through his legal counsel, has responded as follows:

*“As highlighted in the Company’s announcements dated 25 June 2020, and 29 June 2020, Mr Wang Zhi has no personal interest in the project (other than through his shareholding interest in the Company). Mr Wang Zhi is nevertheless prepared to abide by the Audit Committee’s recommendation to abstain from deliberations and decision on the Nambo Project, including whether or not to exercise the Reversal Option.”*

**BY ORDER OF THE BOARD**

Poh Kok Hong  
Executive Director and Chief Executive Officer  
9 July 2020