

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

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**COMPANY'S RESPONSE TO CERTAIN STATEMENTS  
MADE BY ITS CHIEF EXECUTIVE OFFICER IN  
THE ANNOUNCEMENT OF CESSATION DATED 30 AUGUST 2021**

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**1. BACKGROUND**

The board of directors (the "**Board**") of Darco Water Technologies Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the announcement of cessation of Executive Director and Chief Executive Officer ("**CEO**") dated 30 August 2021 (the "**30 August Announcement**"), specifically to the statements made by the CEO, Mr Poh Kok Hong ("**Mr Poh**"), in response to the question on whether there are any unresolved differences in opinion on material matters between the person and the board of directors, including matters which would have a material impact on the Group or its financial reporting (the "**Statements**").

The Board, on behalf of the Company, would like to respond to the Statements as below.

**2. COMPANY'S RESPONSE**

This announcement should be read in conjunction with and in the context of the Statements.

Using the sub-headings as used in the 30 August Announcement for easy reference:

**GAOYI PROJECT**

In the Statements, Mr Poh has commented/stated that, among others:

- (a) his recommendation to the Board to postpone the acquisition of the Gaoyi project in 2019 was premised on: (i) back in August 2019, he was made to understand that the Gaoyi project was commercially operational and ready for acquisition; and (ii) his view that the Company needed time to raise funds for the acquisition;
- (b) in his opinion, the Gaoyi project does not seem to be viable based on the information and documents available to him and the Company. He further stated that as the Company has requested for further information and documents on the Gaoyi project, which information and documents are still pending, he has also recommended to the Board to reject the Gaoyi project so that the vendor can propose an 'Alternative Water Asset'.

The Company would like to respond to the above comments/statements as follows:

- (I) The Company notes Mr Poh's statement that "he was made to understand the Gaoyi Project was commercially operational" in August 2019. The Company would like to clarify that the decision of the Board was made to seek and negotiate an extension of the asset injection of the Gaoyi project at the Board level and was premised on the fact that the Company did not have sufficient funding at the time to proceed with the asset injection. Please see the Company's announcements on this issue dated 9 September 2019 and 17 September 2019.
- (II) As for the viability of the Gaoyi project for acquisition, the Board notes that it is premature at this juncture to draw a definitive conclusion (i.e., that the Gaoyi project is or is not viable). The Board believes that the Company should draw a definitive conclusion on a fully informed basis including after having considered the information and documents requested for. The Board has directed the Management to continue tracking the response from the vendor to the request made by the Company and to update the Board on the progress of the due diligence that the Company is undertaking.

#### NAMBO PROJECT

In the Statements, Mr Poh has commented/stated that in his personal view, the reversal option in relation to the Nambo project ("**Reversal Option**") should have been exercised earlier. In respect of this comment/statement, the Company would like to respond as follows:

- (a) In considering whether the Company should proceed with the exercise of the Reversal Option, the Board had taken care and time to consider possible alternative approaches and options that could be available (including but not limited to seeking a re-negotiation of the economic and financial terms of the Nambo project).
- (b) It was only after the Board was certain and convinced that the Company had exhausted all realistic approaches and options that it approved the exercise of the Reversal Option.

The Board believes that it had acted prudently as regard the exercise of the Reversal Option and the timing of such exercise.

#### APPOINTMENT OF NEW EXECUTIVE DIRECTOR

In the Statements, Mr Poh has stated his personal reservation on the appointment of the new Executive Director, Mr Zhao Yong Chang ("**Mr Zhao**"). To this, the Board would like to state that in determining the suitability of the appointment of Mr Zhao as the new Executive Director, the following factors were included in the Board's assessment:

- (a) Mr Zhao, being a senior member of the Management team and based predominantly in China coupled with his familiarity with the Chinese business and financial environment, is most suited to oversee the China operations of the Group.
- (b) Having Mr Zhao appointed as an Executive Director (as opposed to him remaining only as an Executive Officer) recognizes the weight of the duties and responsibilities placed on him in so far as accountability for the China operations of the Group is concerned.

## WUHAN KAIDI WHISTLEBLOWER REPORT

In the Statements, Mr Poh has also commented/stated that in his personal view, the Company could have acted with more decisive measures sooner.

The Board would like to respond to this comment/statement as follows:

- (a) As soon as the Board was made aware of the matters highlighted in the Wuhan Kaidi Whistleblower Report (the “**Whistleblower Report**”), the Board spared no efforts in ensuring that appropriate and prompt steps were taken to look into the matters raised as well as the related issues presented by the Whistleblower Report. The Board notes that the advice of its legal counsel was sought without delay and measures presented by the Management were taken on board for consideration.
- (b) The Board believes that the Company has, in the circumstances and in the context of the matters and issues arising from the Whistleblower Report, acted prudently and promptly. Given the sensitivities of such matters and issues and the resultant impact that each act or decision made would have on the Group, any decision or measure to be implemented had to be taken after careful consideration and at the appropriate timing so as not to cause unnecessary and further damage or impact to the Group.

### **3. EXERCISE OF CAUTION ADVISED**

The Company will make further announcements as and when there are material developments in relation to the affairs and businesses of the Group. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and, when in doubt, are advised to consult with their own legal advisors, financial advisors, stockbrokers, bank managers and/or other professional advisors.

### **BY ORDER OF THE BOARD**

Sim Guan Seng  
Independent Non-Executive Chairman  
1 September 2021