
**ANNOUNCEMENT ON RESPONSES TO QUERIES RECEIVED FROM
THE SINGAPORE EXCHANGE REGULATION ON 11 OCTOBER 2021**

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Darco Water Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the following:

- (a) the Company’s announcement dated 24 September 2021, entitled “Announcement on responses to additional queries received from the Singapore Exchange Regulation on 20 September 2021 in relation to the Notice of Compliance issued by the Singapore Exchange Regulation on 10 September 2021” (the “**24 September 2021 Announcement**”);
- (b) the Company’s announcement dated 23 September 2021, entitled “Update announcement on the Gaoyi Project – Issuance of notice of rejection” (the “**23 September 2021 Announcement**”); and
- (c) the Company’s announcement dated 16 August 2021, entitled “Response to queries from the Singapore Exchange Securities Trading Limited received on 10 August 2021” (the “**16 August 2021 Announcement**”).

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in, as the case may be, the 24 September 2021 Announcement, the 23 September 2021 Announcement or the 16 August 2021 Announcement.

2. RESPONSES TO QUERIES FROM SGX REGCO

The Board would like to respond to the following queries raised by the SGX RegCo on 11 October 2021 (the “**SGX Queries**”, and each, an “**SGX Query**”):

SGX Query (1):

It is stated in the 24 September 2021 Announcement that, “As noted above, the Company has already issued a notice to Mr Wang informing him that the Gaoyi Project is an unsuitable asset for the purposes of the Asset Injection. Under the terms of the Deed of Undertaking (as amended by the Supplemental Deed) and as stated in the Company’s response to SGX Query (a) above, Mr Wang shall offer to the Company as soon as practicable an alternative water treatment asset (i.e., AWTA) which satisfies the conditions listed in paragraph 3.4 of the 9 September Announcement”.

Please disclose the timeline for Mr Wang Zhi to provide an alternative water treatment asset (“AWTA”), the Board to make an assessment of the suitability of the AWTA so as to complete the acquisition by the Extended Deadline, taking into consideration the time required to commence legal and further technical and economic due diligence and approval from independent shareholders to be obtained at a general meeting to be convened.

Company’s response to SGX Query (a):

The Board would like to inform Shareholders that the Company is in contact with Mr Wang Zhi on the provision of a proposal for an AWTA and he has indicated he will be providing his proposal for an AWTA by the end of October 2021 for the Company to consider.

The Board would like to further inform Shareholders as follows:

1. Upon receipt of a proposal for an AWTA from Mr Wang Zhi, the Board will, subject to receipt of relevant documents and information on such AWTA, make its preliminary assessment on whether the proposed AWTA is a suitable asset for the purposes of the Asset Injection.
2. In the event that the Board’s preliminary assessment is that the proposed AWTA is a suitable asset for the purposes of the Asset Injection, the Company will proceed to undertake due diligence on the AWTA and commence negotiations on the relevant definitive agreements as well as take such action and steps as necessary for the completion of the requisite regulatory compliance requirements. To the extent that more time is required to complete the aforesaid process, the Board will discuss with Mr Wang Zhi with a view to coming to a mutually acceptable revised timeline for the completion of the injection of the proposed AWTA.
3. Where the Board’s preliminary assessment is that the proposed AWTA is not a suitable asset for the purpose of the Asset Injection, the Board will recommend that the Company exercises its rights under the Deed of Undertaking (as amended by the Supplemental Deed) including the issuance of a formal notice of rejection of the proposed AWTA as an asset for the purposes of the Asset Injection.

The Company will update shareholders when there are any material developments in relation to the AWTA.

SGX Query (2):

It is stated in the 16 August 2021 Announcement that, “The deadline for the completion of the agreed-upon procedures is 31 August 2021.”

Please disclose a copy of the findings of the agreed-upon procedures.

Company's response to SGX Query (2):

The Company notes that part of the agreed-upon procedures to be conducted include interviews by the Company's external auditor, Crowe Horwath First Trust LLP ("**External Auditor**") with certain involved personnel at the Company's subsidiary, Wuhan Kaidi Water Service Company. However, due to COVID-19 restrictions that were imposed on such involved personnel, the interviews scheduled to be conducted by the External Auditor had to be postponed resulting in a delay in the timeline originally envisaged.

The Company wishes to update Shareholders that it has now received confirmation from the External Auditor that they expect to be able to finalise their findings and issue their report for the agreed-upon procedures only by 22 October 2021.

The Company will update shareholders when there are any material developments and will make a copy of the report setting out the findings of the agreed-upon procedures following its receipt.

3. CAUTION IN TRADING

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Kong Chee Keong
Executive Director and Chief Executive Officer

13 October 2021