



SOLUTIONS TO WATER & WASTE
DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)

(Incorporated in the Republic of Singapore)

RESPONSE TO THE BUSINESS TIMES' ARTICLE DATED 23 JUNE 2020

The board of directors (the "**Board**") of Darco Water Technologies Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to an article in The Business Times dated 23 June 2020 (the "**BT Article**") and would like to provide clarificatory information in response.

As noted in the BT Article, the Company confirms that it has received from certain shareholders a spectrum of questions on the business and affairs of the Group. The Company will consolidate all related queries and will publish the same together with answers from the Company before the upcoming annual general meeting of the Company scheduled for 2 p.m. on 26 June 2020 (Friday).

Notwithstanding, the Board would like to clarify certain key matters touched on in the BT Article.

Acquisition of 75% of PT Panghegar Energy Indonesia

The BT Article noted that "*shareholders remain leery of Darco's venture into the Indonesia waste management project. The seller of the project is a unit of Hong Kong-listed Yunnan Water Investment Co. Mr Wang Zhi was previously a director of one of its subsidiaries, Yunnan Water International.*" The Company would like to clarify as follows:

- (i) that the vendor of 75% (the "**Sale Shares**") of PT Panghegar Energy Indonesia (the "**Target**") is Emsus Co. Ltd. (the "**Vendor**"), a South Korean-incorporated consultancy company, the sole director of which is Do Yun Yu, and not Yunnan Water (Hong Kong) Company Limited ("**Yunnan Water**") as alleged. The Company was given to understand that as at the date of the conditional sale and purchase agreement in relation to the acquisition (the "**Proposed Acquisition**"), Yunnan Water had a share pledge over the Sale Shares and Yunnan Water had 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 that was then due and owing to it from the Vendor. Accordingly, the Vendor has requested that the US\$400,000 payable as the first payment of the consideration was to be paid directly to Yunnan Water on completion of the transfer of the Sale Shares to the Company. For more information, shareholders may refer to the Company's earlier announcements dated 25 October 2019, 4 November 2019 and 11 November 2019.
- (ii) The BT Article noted that "*Darco is expected to require fresh funding of up to S\$46 million in order to invest in a waste management project in Indonesia that Mr Wang Zhi has been pushing for.*" The Company would like to clarify that the amount of US\$46 million (not S\$46 million) is only indicative and, as at the date hereof, the Company has not committed to funding the same. Please refer to the Company's announcement dated 8 June 2020.

- (iii) It was further stated in the BT Article that “*Shareholders have argued that Darco, which is in the business of water treatment, has neither the resources nor the expertise to go into waste management.*” The Company would like to note that it has a Singapore subsidiary which build and operate district level pneumatic waste conveyance, and a Taiwan subsidiary which is in medical waste collection. In the past, the Company had also owned and operated medical waste disposal plant and waste sorting plant.

Proposed Share Placement

The BT Article referenced the proposed share placement exercise to raise \$6,545,000 in gross proceeds as announced by the Company on 13 January 2020 (the “**2020 Placement**”), noting that Sofos Infrastructure Investment Fund had raised concerns that the placement would be at a discount to the Company’s net tangible asset per share.

The Company would like to note that this concern, amongst others, has already been addressed in the Company’s earlier announcement dated 22 January 2020.

Qarah Consultancy Pte Ltd

The BT Article also raised several queries in relation to the connection between Ms. Joanna Ong Joo Mien (“**Ms. Joanna Ong**”), an independent director of the Company, and Qarah Consultancy Pte Ltd (“**Qarah**”), the introducer for the 2020 Placement.

(i) *Introduction of Qarah to the Company*

The BT Article stated that “*Qarah was introduced to Darco by Mr Wang Zhi*”. The Company would like to clarify that Qarah was introduced to the Company by a business associate.

(ii) *Connection between Ms. Joanna Ong and Qarah*

The BT Article also stated the following:

“Qarah Consultancy was registered to Ms Ong’s home address when Darco proposed the placement on Jan 13, and she was Qarah’s company secretary as well, according to its corporate records. Qarah has since changed its registered address to International Plaza.

Ms Ong’s husband was Qarah’s sole shareholder until Aug 22 last year. He transferred his shares to one Alyssa Pek less than five months before the placement was announced.”

As disclosed in the announcement of Ms. Joanna Ong’s appointment on 2 May 2019 as an independent director of the Company, Ms. Ong started her own corporate services business in 2010.

The Company has been informed by Ms. Ong as follows:

- between September 2013 and December 2019, her firm was engaged by Qarah to provide corporate secretarial services, and she was the named company secretary. During this period, Ms Ong did not hold any executive role in Qarah. As part of the suite of services offered by Ms. Ong’s corporate services firm, it also provided the following to Qarah: (a)

registered address services, which accounts for her home address being used as Qarah's registered address; and (b) nominee shareholder and nominee director services, which were provided through her husband, who also owns a small stake in her firm.

- To reduce her workload and to pursue other personal commitments, she ceased providing corporate secretarial services to Qarah and resigned as company secretary on 16 December 2019. With her resignation as company secretary, Ms. Ong ceased to be involved in the corporate secretarial matters of Qarah.
- The principal of Qarah since its incorporation is Mr. Ng Teck Seng ("**Mr. Ng**") and Joanna's husband had acted as the nominee shareholder from Qarah's incorporation until 12 August 2019, when Ms. Alyssa Pek ("**Ms. Pek**"), an employee of Qarah, replaced him as the nominee shareholder. Ms. Pek acted as a nominee shareholder from 12 August 2019 until 30 November 2019 before Mr. Ng became the registered shareholder of Qarah.. Joanna's husband had not been involved in the day-to-day management or business of Qarah.
- Neither Ms. Ong nor her husband had any interest in the introducer's fee that was contracted to be paid to Qarah in connection with the 2020 Placement.

The Company wishes to note that it had only dealt directly with Mr. Ng in so far as the 2020 Placement is concerned.

BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and CEO
24 June 2020