



SOLUTIONS TO WATER & WASTE

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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED RECEIVED ON 10 AUGUST 2021

1. RESPONSE TO SGX QUERIES

The Board of Directors (the “**Directors**” or the “**Board**”) of Darco Water Technologies Limited (the “**Company**” and together with its subsidiaries, collectively, the “**Group**”) would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 10 August 2021 (the “**SGX-ST Queries**” and each, a “**SGX-ST Query**”) as follows:

SGX Query (a)

*Updates on the Gaoyi project: Please disclose via SGXNet that the Company has commenced preliminary due diligence on the Gaoyi Project and has appointed Binnies Singapore Pte. Ltd. (previously known as “Black and Veatch”) (“**Binnies**”) as the independent 3rd party technical and economic due diligence consultant. Please also include the following information:-.*

- (i) *When did the Company commence its preliminary due diligence?*
- (ii) *How long was the request for additional information, documents and datapoints outstanding?*
- (iii) *Was any legal due diligence conducted and if yes, what are the results of the due diligence?*
- (iv) *What is the timeline for the acquisition of Gaoyi Project?*

Company’s response to SGX Query (a):

The Company wishes to update shareholders that the Company has commenced preliminary due diligence on the Gaoyi Project. The COVID-19 situation and resulting restrictions on travel had made it difficult for relevant parties to undertake and/or facilitate due diligence, particularly in 2020.

For the purpose of the technical due diligence, the Company has appointed Binnies Singapore Pte. Ltd. (previously known as “Black and Veatch”) (“**Binnies**”) as the independent 3rd party technical and economic due diligence consultant. The due diligence process is still in progress and pending the receipt of additional information and documents as well as key datapoints requested from the counterparty.

In response to the specific questions from the SGX-ST:

- (i) The Company came to know from certain correspondence received on or about 5 April 2021 from Mr Wang Zhi’s legal counsel that the Gaoyi Plant was ready and operational. Against that knowledge and starting from about 6 April 2021, the Company commenced initial engagement with four internationally recognized technical consultants (including Binnies) with a view towards engaging one of them to assist the Company with technical due diligence on the Gaoyi Plant. Binnies was finally selected and appointed on 3 June 2021 as the Company’s independent technical and economic due diligence consultant. The Company has also, as part of its due diligence and since 24 May 2021, requested Mr Wang Zhi to provide additional information, documents and datapoints. There has been ongoing exchange of correspondence on this matter since the request and Mr Wang Zhi has recently informed the Company that he would need to go on-site to obtain certain relevant information and documents, particularly, from the local authority.

- (ii) Please refer to the response to sub-paragraph (i) above.
- (iii) The Company has not been able to commence legal due diligence pending the provision of the additional information, documents and datapoints requested from Mr Wang Zhi. The Company has instructed its legal advisors, Morgan Lewis Stamford LLC together with its affiliate firm in China, to be on standby to commence the legal due diligence as soon as the said information, documents and datapoints have been provided. In absence of such additional information, documents and datapoints, the legal advisors will not be able to undertake any comprehensive and meaningful legal due diligence.
- (iv) Subject to the findings and outcome of the due diligence investigations being satisfactory to the Company and the Gaoyi Project meeting the Company's investment criteria, the Company hopes to complete the acquisition of the Gaoyi Project by the first quarter of 2022.

SGX Query (b)

Recovery of US\$1 million for the Can Giuoc Water Project: It is disclosed in the AC's response to our queries that the Company has, in addition to commencing the lawsuit, negotiated and arrived at a settlement with Mr Dinh Minh Dao for the full recovery of US\$1 million for the Water Project (which forms part of the US\$1.6 million claim in the lawsuit against Mr Thye). This development was announced by the Company on 25 November 2020. Please provide an update via SGXNet on the recovery of payment for the Can Giuoc Water Project.

Company's response to SGX Query (b):

Pursuant to the Settlement Agreement entered into with Mr Dinh Minh Dao in respect of the Can Giuoc Water Project, Mr Dinh Minh Dao has been making the relevant payments in accordance with the terms of the Settlement Agreement.

SGX Query (c)

Please provide an update via SGXNet regarding the status of the actions taken by the Company in relation to its announcement of 11 September 2020, titled "Update on legal action against former director and executive officer".

Company's response to SGX Query (c):

In respect of the legal proceedings commenced by the Company against Mr Thye, the Board wishes to update that parties have completed the discovery process, and attempted alternative dispute resolution, which was unsuccessful. Parties are now in the process of preparing their affidavits of evidence-in-chief for trial, with trial being scheduled towards the end of the year.

SGX Query (d)

Please provide an update via SGXNet in relation to the Company's announcement of 26 April 2021, titled "Update on: Call by certain shareholders for the Company to commence action against a director of the Company and one other person originating summons served on the Company".

Company's response to SGX Query (d):

The Company was served with the Court papers for a derivative action on 26 April ("OS 405/2021"). OS 405/2021 is an action seeking derivative relief in that the plaintiffs, who are minority shareholders in the company, are asking for leave from the Court to pursue claims against certain individuals – Mr



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Wang Zhi and Mr Pek Thiam Keong under section 216A of the Singapore Companies Act in the name of the Company (the "**Intended Lawsuit**"). The Plaintiffs are also seeking that any legal costs incurred in the intended lawsuit be paid by the Company. The Plaintiffs are not seeking damages from the Company in OS 405/2021.

The action was commenced by originating summons and consists of a summons application and supporting affidavits.

The Company responded to set out its positions on OS 405/2021 on 4 June 2021. The Plaintiffs have since filed a reply affidavit on 4 July 2021, and the Defendants (including the Company) have filed a further reply on 30 July 2021.

The hearing of OS 405/2021 has been fixed for 14 September 2021 before a High Court Judge in Chambers.

SGX Query (e)

Please provide an update via SGXNet in relation to the consultation with the Company's external auditor, including (i) an update on its consultation with its external auditor, (ii) details on the scope of the agreed-upon procedures; and (iii) timeline for the completion of the agreed-upon procedures. Please also disclose the deadline set by the AC for agreed-upon procedures to be finalized.

Company's response to SGX Query (e):

- (i) In reference to the Company's Announcement on Receipt of Whistleblower Report dated 24 June 2021 and in response to query above, the Company has, in consultation with its external auditor, Crowe Horwath First Trust LLP, finalised the scope of work for the agreed-upon-procedures.
- (ii) Details on the scope of work for the agreed-upon-procedures are as follows:
 - a. Based on enquiry with the relevant finance personnel of WHKD, determine how the accounts were modified. E.g. was it through directly amending/altering the original signed audited accounts or was it through altering WHKD's financial records? To compare the figures from the "Modified Accounts" to WHKD's SAP accounting system as well as the original audited accounts.
 - b. To compare the original audited 2019 and 2020 financial statements of WHKD with copies filed with the respective regulatory bodies or other users of the financial statements.
 - c. To consider how many outside parties would have requested a copy of the audited accounts based on interview with management of WHKD, e.g. the Copy filed for tax purposes and the copy filed for local statutory purposes.
 - d. To review/enquire on how many banks/parties were sent the Modified Accounts. To also enquire on how many years of audited financials were modified to the best of WHKD's management knowledge.
 - e. Review details of banking facilities to highlight key terms and conditions. This is to determine what could have been the key financial drivers that could have motivated the modification of the accounts.
- (iii) The deadline for the completion of the agreed-upon procedures is 31 August 2021.



BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

16 August 2021