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**ANNOUNCEMENT ON RESPONSE TO QUERY RECEIVED FROM  
THE SINGAPORE EXCHANGE REGULATION ON 7 SEPTEMBER 2021  
IN RELATION TO THE COMPANY'S ANNOUNCEMENT DATED 24 JUNE 2021 ON THE RECEIPT OF  
A WHISTLEBLOWER REPORT CONCERNING WUHAN KAIDI WATER SERVICE COMPANY**

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**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 Company’s announcement on 24 June 2021 (the “**Previous Announcement**”) in relation to the receipt of a whistleblower report concerning the Company’s subsidiary in China, Wuhan Kaidi Water Service Company (“**WHKD**”) and the follow-up action taken by the Group.

*Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Previous Announcement.*

**2. RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE REGULATION**

The Board would like to disclose its response to the following query raised by the Singapore Exchange Regulation on 7 September 2021 (the “**SGX Query**”):

**SGX Query:**

*It is stated in the Company’s announcement of 24 June 2021 that the Company has been further advised to consider taking, among others, the following next steps:*

- (a) *Undertake further investigations to assess the contractual obligations of and risks faced by WHKD under the relevant documentation signed with the Bank, as well as identifying other non-compliance issues concerning WHKD and/or its management (if any).*
- (b) *Approach and provide the Bank with the unmodified audited financial statements for FY2019 as soon as practicable and work with the Bank with the primary aim of achieving the continued grant of the Banking Facilities by the Bank while minimizing disruption to the continued operations of WHKD.*
- (c) *In light of the fact that the Involved Personnel had conducted themselves in violation of what is considered good and proper conduct, for the Board and the Nominating Committee of the Company to consider and assess the next steps to be taken in relation to the Involved*

*Personnel, including whether such Involved Personnel remain suitable to continue acting in their respective positions in the Group, as well as to consider placing the Involved Personnel on immediate leave of absence in the interim.*

- (d) *Consult with the external auditors of the Company to determine whether the audited financial statements of WHKD used for the purposes of consolidation in the Group's audited financial statements for FY2019 and FY2020 are valid, as well as to determine the extent and scope of agreed-upon procedures that the Company should consider conducting on WHKD.*

*Please provide an update on the status of the above steps taken by the Company.*

**Company's response to the SGX Query:**

The Company wishes to respond as follows:

- (a) In the course of carrying out the agreed-upon procedures by the External Auditor so far, nothing has come to the Company's attention of other non-compliance issues and other contractual obligation(s) of and risk(s) faced by WHKD under the relevant documentation signed with the Bank (other than as disclosed in the Previous Announcement) have been identified.
- (b) After several unsuccessful attempts (as hampered by COVID-19 movement restrictions), the Company had approached the Bank on 8 September 2021 and provided it with the unmodified audited financial statements of WHKD for FY2019. There have been no further updates from the Bank thus far.
- (c) The previous Executive Chairman of the Company, Mr. Wang Yaoyu, as well as the Head of Finance of WHKD and a staff member from the Finance Department had been identified as the Involved Personnel.

As announced by the Company on 24 June 2021, Mr. Wang Yaoyu had resigned from the Board on 24 June 2021. He had also been removed from all executive positions within the Company and WHKD, and is no longer involved in the Group's business and affairs.

As for the Head of Finance of WHKD and the staff member from the Finance Department, they currently remain in office and are directly reporting to Mr. Zhao Yong Chang, who is also the Managing Director of WHKD and the Chief Operating Officer and Executive Director of the Company. Mr. Zhao Yong Chang is in the process of finding suitable replacements. However, pending the replacements, WHKD would require their continuing support in order to ensure the accounting and finance functions of WHKD are not unduly compromised. In the interim, Mr. Zhao Yong Chang has taken over the oversight and direct supervision of the Finance Department of WHKD.

- (d) The External Auditor has confirmed that they have not withdrawn the audit opinion on the audited financial statements of WHKD used for the purposes of consolidation in the



Group's audited financial statements for FY2019 and FY2020. The extent and scope of agreed-upon procedures that the Company is conducting on WHKD had previously been announced by the Company on 16 August 2021.

### **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

24 September 2021