

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)
(Incorporated in the Republic of Singapore)

THE PROPOSED ADOPTION OF THE DARCO PERFORMANCE SHARE PLAN AND THE PROPOSED CHANGE OF AUDITORS

The Board of Directors (“**Board**”) of Darco Water Technologies Limited (“**Company**”) wishes to announce the following:

- (1) the proposed adoption of the Darco Performance Share Plan (“**Share Plan**”); and
- (2) the proposed change of auditors from Baker Tilly TFW LLP (“**Baker Tilly**”) to Crowe Horwath First Trust LLP (“**Crowe Horwath First Trust**”).

The Proposed Adoption of the Darco Performance Share Plan

The Board wishes to announce that the Company is proposing to adopt a share plan to be known as the “Darco Performance Share Plan” that will enable employees of the Company, its subsidiaries and associated companies which the Company has control over to participate in the equity of the Company pursuant to the grant of contingent awards of fully paid ordinary shares in the capital of the Company under the Share Plan.

The purpose of the Share Plan is to provide an opportunity for the Directors (including Non-Executive Directors) and the employees of the Darco Water Technologies Limited Group of companies (the “**Group**”), who have met performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and of the Group.

The Share Plan allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets, which ultimately, will create and enhance economic value for shareholders of the Company (“**Shareholders**”). The Directors believe that the new Share Plan will incentivise the participants to excel in their performance and encourage greater dedication and loyalty to the Company. Through the Share Plan, the Company will be able to recognise and reward past contributions and services and motivate potential participants to continue to strive for the Group’s long-term prosperity. In addition, the Share Plan aims to foster an ownership culture within the Group.

On 13 October 2014, the Singapore Exchange Securities Trading Limited (“SGX-ST”) granted an in-principle approval for the listing and quotation of the new Shares (“**New Shares**”) to be issued pursuant to the Share Plan on the Official List of the Main Board of the SGX-ST subject to, *inter alia*, specific Shareholders’ approval being obtained for the Share Plan. Such in-principle approval by the SGX-ST is not an indication of the merits of the Share Plan, the New Shares, the Company and/or its subsidiaries.

The Proposed Change of Auditors

The Company’s previous auditors, Baker Tilly, who had been the Auditors since the financial year ended 31 December 2011 had on 14 May 2014 given notice to the Company of their intention to retire as Auditors of the Company and to not seek re-appointment at the annual general meeting (“**AGM**”) of the Company held on 30 May 2014. Baker Tilly, the outgoing auditors, has on 12 May 2014 given the Company their letter of resignation stating that they will be retiring as auditor of the Company and will not be seeking re-appointment at the forthcoming Annual General Meeting to be held on 30 May 2014. As set out in the announcement on 14 May 2014, the Board noted the qualified opinion and emphasis of

matters by the Auditors on the financial statements for the financial year ended 31 December 2013 which was announced on 5 May 2014. Nonetheless, the Board confirms that:

- (a) there has not been any disagreement with Baker Tilly on accounting treatments within the last twelve (12) months; and
- (b) it is not aware of any circumstances connected with the change of auditors that should be brought to the attention of the Company's shareholders which have not been disclosed in the announcement.

In the Notice of AGM dated 15 May 2014, it was noted that Baker Tilly will be retiring as Auditors of the Company and will not be seeking re-appointment at the Company's AGM on 30 May 2014. On 30 May 2014, the Company announced, along with the announcement of the results of the AGM, that it was in the process of seeking suitable auditors in place of Baker Tilly and was sourcing for an auditing firm to replace Baker Tilly as the Auditors of the Company.

After reviewing the credentials and competitive proposals of auditing firms, the Audit Committee has recommended the appointment of Crowe Horwath First Trust, in place of Baker Tilly, for the financial year ending 31 December 2014, subject to the approval of the Board and Shareholders at the extraordinary general meeting ("**EGM**"). The Board has accepted the recommendation of the Audit Committee.

Crowe Horwath First Trust has on 26 September 2014 given their written consent to act as Auditors of the Company. The proposed change of Auditors would take effect upon the approval of the same by Shareholders at the EGM.

In accordance with the requirements of Rule 1203(5) of the Listing Manual of SGX-ST:

- (a) the outgoing auditor, Baker Tilly, has confirmed, by way of their letter dated 24 September 2014 that they are not aware of any professional reasons why the new auditors, Crowe Horwath First Trust, should not accept appointment as auditors of the Company;
- (b) the Company confirms that there were no disagreements with the outgoing auditors, Baker Tilly, on accounting treatments within the last twelve (12) months;
- (c) the Company confirms that, other than set out above and in the Circular (as defined below), it is not aware of any circumstances connected with this proposed change of auditors that should be brought to the attention of the shareholders of the Company;
- (d) the Company confirms that the specific reasons for the proposed change of Auditors are disclosed above; and
- (e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of Crowe Horwath First Trust.

The Board wishes to express its appreciation for the past services rendered by Baker Tilly.

A circular (the "**Circular**") setting out, *inter alia*, the details of the proposed adoption of the Share Plan and the proposed change of auditors of the Company, together with a notice of the EGM of the Company to be held on 6 November 2014 at 10.00 a.m to seek Shareholders' approval for the proposed adoption of the Darco Performance Share Plan and the proposed change of auditors will be dispatched to the Shareholders on 21 October 2014. Shareholders are advised to consider the content and recommendation contained in the Circular carefully.

Shareholders who do not receive the Circular within a week from the date of this announcement may obtain copies of the Circular from the registered office of the Company at 123 Woodlands Industrial Park E5, E-Terrace Singapore 757498.

A copy of the Circular is available on the website of the Singapore Exchange Securities Trading Limited at <http://www.sgx.com>.

Shareholders are requested to note the following important dates and time in respect of the EGM:

Last date and time for lodgement of Proxy Form :	4 November 2014 at 10.00 a.m.
Date and time of EGM :	6 November 2014 at 10.00 a.m.
Place of EGM :	6 Battery Road #10-01 Singapore 049909

By Order of the Board

Thye Kim Meng
Chairman, Managing Director and Chief Executive Officer

20 October 2014