



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

UPDATE ANNOUNCEMENT

Alternative Water Treatment Asset offered by Mr. Wang Zhi for the purposes of Asset Injection (as defined in and obliged under the terms of the Placement Agreement dated 12 October 2017 (as amended by the Supplemental Agreement dated 9 September 2019) (“Placement Agreement”) and the Deed of Undertaking dated 23 November 2017 (as amended by the Supplemental Deed dated 9 September 2019 (the “Deed of Undertaking”))

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 its previous announcements made on 23 October 2017, 5 November 2018, 9 September 2019, 17 September 2019, 16 August 2021, 23 September 2021, and 6 October 2021 in relation to the Gaoyi Project, its response to the queries raised by the Singapore Exchange Regulation on 11 October 2021 released on 13 October 2021, the announcement made on 2 November 2021, as well as the update announcement on the issuance of the AWTA Notice of Rejection in respect of the Alternative Water Treatment Asset made on 21 March 2022 (collectively, the “**Previous Announcements**”).

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

2. UPDATE

2.1. Clarification on the Issuance of the AWTA Notice of Rejection

Further to the Previous Announcement on 21 March 2022, the Board wishes to clarify that the AWTA Notice of Rejection was issued for reasons relating to various uncertainties that are pertinent to the proposed Alternative Water Treatment Asset, such as the tariff and the impact of future phases of developments to the Alternative Water Treatment Asset. The Board wishes to add that Mr. Wang Zhi made efforts to adjust his proposal relating to the Alternative Water Treatment Asset for the Asset Injection after recognizing the concerns brought up by the Company. Such efforts include Mr. Wang Zhi having offered the proposed Alternative Water Treatment Asset to the Company at below his indicated investment cost in order to try to bridge some of these uncertainties to meet the 12% project IRR requirement. However, notwithstanding the attempts by Mr. Wang Zhi, the Board remains of the view the AWTA is unsuitable.

Although the Company has decided not to proceed with an investment in the proposed Alternative Water Treatment Asset for the Asset Injection and, accordingly, has issued the AWTA Notice of

Rejection, the Company wishes to extend its thanks to Mr. Wang Zhi for his continued support of the Company in attempting to mitigate the risks in the proposed acquisition of the Alternative Water Treatment Asset. The Company looks forward to exploring any future collaborations and/or acquisitions with Mr. Wang Zhi as and when any suitable collaborations and/or acquisitions are brought to the attention of the Company.

2.2. Settlement of Compensation Sum of S\$2,000,000

The Board would also like to inform Shareholders that the Company is currently in communication with and has exchanged several correspondences with Mr. Wang Zhi on the settlement of the compensation sum of S\$2,000,000 that is payable following the delivery of the AWTA Notice of Rejection. The Board will update shareholders on further developments in due course.

3. CAUTION IN TRADING

Shareholders and potential investors of the Company are advised to read this announcement together with the Previous Announcements and any further announcements that may be 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
18 April 2022