

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

**SETTLEMENT AGREEMENT IN RELATION TO LAWSUIT IN PENANG AGAINST FORMER
EMPLOYEES**

The Board of Directors (the "Board") of Darco Water Technologies Ltd (the "Company" or "Darco") wishes to announce that the Company has entered into a final and amicable Settlement Agreement (the "Settlement") on 8 April 2014 with its former employees, Grober Industrial Services Sdn Bhd and KIJ Ultra Supreme Filtration Sdn Bhd (the "Defendants"), wherein inter alia, the legal ownership and all current business of Grober Industrial Services Sdn Bhd shall be transferred from the Defendants to the Company (the "Transfer"). The total value of the Settlement is estimated to be approximately MYR 3 million.

The Settlement was in relation to its current legal action against the Defendants in Penang High Court, Malaysia against for breach of duties and conspiracy to divert Darco's business contracts during and after their employment. See Company's announcement dated 24th July 2013.

A token sum of MYR 1.00 will be paid for the Transfer, which will enable the Company to recover the assets that has been part of the Group's business under its ordinary course of business. As such, the Management considers that the Transfer under the Settlement would not be considered an acquisition under Chapter 10 of the Listing Rules. This Settlement will have a positive impact on the Company's financial results of FY 2014.

The Board believes that the Settlement is in the best interest of the Company, and none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transaction.

By order of the Board
DARCO WATER TECHNOLOGIES LIMITED

Thye Kim Meng
Managing Director and Chief Executive Officer
8 April 2014