



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

FURTHER 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, 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 announcements on and following the issuance of the AWTA Notice of Rejection in respect of the Alternative Water Treatment Asset made on 21 March 2022, 18 April 2022 and 12 May 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 ON THE COMPANY’S CLAIM FOR THE PAYMENT OF THE COMPENSATION SUM OF S\$2,000,000 REFERRED TO IN THE DEED OF UNDERTAKING FOLLOWING THE ISSUE OF AWTA NOTICE OF REJECTION

2.1. Background

As noted in the Company’s announcement of 12 May 2022, in respect of the compensation sum of S\$2,000,000 referred to in clause 2.2.5(a) of the Deed of Understanding (the “**Compensation Sum**”), Mr. Wang Zhi (“**Mr. Wang**”) has taken the position that he is not obliged to pay the Compensation Sum. Mr. Wang has challenged the basis on which the Company issued the AWTA Notice of Rejection and has maintained such a position throughout the discussions held between the representatives of the Company and himself as well as through correspondences between the Company’s lawyers and his lawyers. As both parties were unable to arrive at a consensus as regard this issue, it became increasingly likely that parties would be drawn into a contested arbitration to resolve this dispute on whether Mr. Wang is liable to pay the Compensation Sum under the Deed of Undertaking (the “**Dispute**”). In light of this and to avoid a costly and protracted

dispute resolution process, the Company proposed, and Mr. Wang accepted the proposal, to first submit the Dispute to formal mediation (the “**Mediation**”) as an alternative to commencing arbitration proceedings.

2.2. Outcome of the Mediation

The Board would like to inform the shareholders of the Company (the “**Shareholders**”) that following the Mediation conducted and facilitated by a Senior Counsel appointed to act as mediator by the mutual agreement of the parties, the Company and Mr. Wang have agreed to a full and final settlement of the Dispute and any and all claims arising out of and/or in connection with the Deed of Undertaking (the “**Settlement**”) on the terms set out in a binding settlement agreement entered into between the Company and Mr. Wang on 15 July 2022 (the “**Settlement Agreement**”). The key terms of the Settlement are summarised below.

- (a) Without any admission of liability or wrongdoing by the Company or Mr. Wang, an *ex gratia* payment of **S\$1,000,000** (the “**Settlement Sum**”) is to be made by Mr. Wang to the Company within 14 days from the date of the Settlement Agreement.
- (b) Subject to the payment of the Settlement Sum in accordance with the terms of the Settlement Agreement, the Company and Mr. Wang irrevocably release and discharge each other and their respective successors or assigns from, among others, any and all manner of claims, obligations, debts, demands, actions, suits, causes of action and liabilities of any nature arising out of and/or in connection with the Deed of Undertaking.
- (c) In the event that the Company enters into an agreement with Mr. Wang to acquire any water or environmental treatment asset (“**WETA**”) (or such part of the WETA) owned by Mr. Wang (whether directly or indirectly) (the “**WETA Acquisition**”) within 36 months from the date of the Settlement Agreement, the Company shall make payment of S\$1,000,000 to Mr. Wang, in addition to paying the agreed price for the WETA Acquisition. In this regard, the Settlement Agreement has expressly provided that the Company is not obliged to accept any WETA from Mr. Wang as the terms of any such WETA Acquisition (if any proposed or offered) is subject to negotiations and mutual agreement between the parties. From the Company’s perspective, any WETA Acquisition will be subjected to compliance with the requisite requirements then prevailing under the listing rules of the Singapore Exchange Securities Trading Limited (including the grant of approval by Shareholders as necessary). For the avoidance of doubt, Mr. Wang is not obliged to propose or offer any WETA to the Company under the terms of the Settlement Agreement.

The Company and Mr. Wang have each agreed to bear its or his own legal costs and expenses.

The Board would like to further inform Shareholders that the Company has, in agreeing to the terms of the Settlement (including the Settlement Sum), taken into consideration the guidance and points of view provided by the mediator as well as the costs and resources (in particular, time of the management of the Company) that would be expended in fully contested and protracted arbitration proceedings.

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 July 2022