

# DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)

(Incorporated in the Republic of Singapore)

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## PLACEMENT OF UP TO 30,251,151 NEW SHARES IN THE CAPITAL OF DARCO WATER TECHNOLOGIES LIMITED TO ROBERT WANG @ WANG ZHI (THE “PLACEMENT”) - UPDATE ON THE ASSET INJECTION AND EXTENSION OF DEADLINE

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### 1. INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Darco Water Technologies Limited (the “**Company**”) refers to:
- (a) in relation to the Placement, the Company’s announcements dated 23 October 2017, 1 February 2018, 12 March 2018 and 23 March 2018 (collectively, the “**Announcements**”), and the Company’s circular dated 23 February 2018 (the “**Circular**”); and
  - (b) the Company’s press release dated 5 November 2018 in respect of the Company’s proposed investment in a Build-Operate-Transfer Gaoyi Domestic Waste Water Treatment Project (the “**Press Release**”).
- 1.2 Capitalised terms shall have the meaning ascribed to them in the Circular, unless otherwise defined herein.

### 2. TRANSFER OF THE WATER TREATMENT ASSET UNDER THE DEED OF UNDERTAKING AND PLACEMENT AGREEMENT

- 2.1 The Company and Wang Zhi had entered into the Wang Zhi Placement Agreement on 20 October 2017. In accordance with the Wang Zhi Placement Agreement, Wang Zhi executed the Deed of Undertaking on 23 November 2017, pursuant to which Wang Zhi had undertaken to procure the transfer to the Company of a Water Treatment Asset within 24 months from the completion date of the Wang Zhi Placement Agreement.
- 2.2 Pursuant to the terms of the Wang Zhi Placement Agreement and the Deed of Undertaking, Wang Zhi has until 23 March 2020 to procure the transfer to the Company of the Water Treatment Asset.
- 2.3 As at the date of this announcement, the Company has signed a non-binding letter of intent (“**LOI**”) with Wang Zhi in respect of the transfer to the Company (or its subsidiary) of Wang Zhi’s entire interest in a Build-Operate-Transfer Gaoyi Domestic Waste Water Treatment Project which holds a 30-year concession on a waste water treatment plant (the “**Gaoyi Project**”). Details of the Company’s entry into the LOI is set out in the Press Release. The Gaoyi Project has been identified as the Water Treatment Asset, which Wang Zhi is required to transfer to the Company pursuant to the Wang Zhi Placement Agreement and the Deed of Undertaking.
- 2.4 Pursuant to the LOI, the Company (or its subsidiary) has paid to Wang Zhi a sum of Renminbi 6,000,000 as deposit (the “**Deposit**”).

### 3. EXTENSION OF DEADLINE FOR ASSET INJECTION

- 3.1 The Company wishes to inform shareholders that both Wang Zhi and the Company have entered into a supplemental agreement (collectively, the “**Supplemental Agreements**”) in respect of each of the Wang Zhi Placement Agreement and the Deed of Undertaking to extend the deadline for the transfer to the Company of the Water Treatment Asset. The Company has agreed to such extension of deadline for the following reasons:-
- (a) As set out in the Company’s announcement dated 13 August 2019 in respect of the unaudited financial statements for the half year ended 30 June 2019 (the “**HY2019**”

**Announcement**”), out of the Group’s cash and bank balances of approximately S\$21.9 million as at 30 June 2019, approximately S\$14.5 million is maintained at the Group’s subsidiaries for their working capital to run daily operations.

- (b) As previously announced, the Group has ventured into Vietnam, being the new market for its investment portfolio of building and maintaining water treatment systems. As set out in the HY2019 Announcement, the Company will continue to execute these projects in the next 12 months. The Company therefore anticipates that it will utilise part or all of the remaining cash and bank balances for the foregoing purpose as it deems necessary.
  - (c) As previously announced in the Press Release, the total consideration for the proposed investment of 100% equity interest in the Gaoyi Project is RMB 60.0 million. Accordingly, an extension of the deadline for the transfer of the Water Treatment Asset allows the Company more time to source for appropriate financing options to fund the payment of consideration for the acquisition of the Gaoyi Project (or such other Water Treatment Asset as may be identified).
- 3.2 Pursuant to the Supplemental Agreements, the date for Wang Zhi to procure the Asset Injection has been extended from the initial deadline of 23 March 2020 to 23 March 2022 (the “**Extended Deadline**”).
- 3.3 In addition, both the Company and Wang Zhi have agreed that if, from the date of the Supplemental Agreements until the Extended Deadline, the Company determines that the Gaoyi Project is an unsuitable asset for the purposes of the Asset Injection:
- (a) Wang Zhi shall, as soon as practicable, offer to the Company an alternative Water Treatment Asset (the “**Alternative Water Treatment Asset**”) which satisfies the conditions set out in **paragraph 3.4** below;
  - (b) both parties shall immediately terminate the LOI; and
  - (c) Wang Zhi shall immediately return the Deposit to the Company;
- 3.4 The Alternative Water Treatment Asset shall fulfil the following conditions:
- (a) subject to the Company’s funding capabilities and its available financial resources at the relevant time, the Alternative Water Treatment Asset shall have a value of Renminbi 60 million or lower; and
  - (b) the Company being satisfied that the project in respect of the Alternative Water Treatment Asset shall have a projected internal rate of return of at least 12.0%.
- 3.5 Pursuant to the Supplemental Agreements, the transfer of the Alternative Water Treatment Asset to the Company or its subsidiary shall be completed by the Extended Deadline. In the event that:
- (a) the Board does not approve the Company’s investment in the Alternative Water Treatment Asset due to such investment not being in the interest of or beneficial to the Company (the Company to be acting reasonably and the Board acting in good faith) and the Company notifies Wang Zhi in writing of such decision (the “**AWTA Notice Of Rejection**”); or
  - (b) following the Board’s approval of the Company’s investment in the Alternative Water Treatment Asset, Wang Zhi fails to procure the completion of the transfer of the Alternative Water Treatment Asset to the Company or its subsidiary by the Extended Deadline,

Wang Zhi shall pay a compensation sum of S\$2,000,000 to the Company by way of telegraphic transfer or cashier’s order within 5 Business Days of the Extended Deadline or from the date

on which the Company delivers the AWTA Notice of Rejection to Wang Zhi (as the case may be).

#### **4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Wang Zhi is both a director and substantial shareholder of the Company, holding, as at the date of this announcement, approximately 29.5% of the existing issued share capital of the Company.

Save for Wang Zhi and the Directors' respective shareholdings (if any) in the Company, none of the Directors or, as far as the Company is aware, substantial shareholders of the Company has any interest, direct or indirect, in the Supplemental Agreements.

#### **5. CIRCULAR AND FURTHER ANNOUNCEMENTS**

Shareholders should note that in the event the Asset Injection takes place, such transaction may constitute an interested person transaction under Chapter 9 of the Listing Rules and may be subject to shareholders' approval. The Company will convene a shareholders' meeting and issue a circular to shareholders, if required under the Listing Rules, at the relevant junctures. As at the date of this announcement, save for the LOI, the Company has not entered into any binding definitive agreement in respect of the Asset Injection.

The Company will make further announcements in the event that there are any material developments in connection with the Supplemental Agreements and the Asset Injection.

#### **6. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors have individually and collectively reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly. Where any information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

#### **7. TRADING CAUTION**

Shareholders and potential investors of the Company are advised to read this announcement, the Announcements, the Circular, the Press Release and any further announcements by the Company carefully. There is no certainty and assurance as at the date of this announcement that the Asset Injection will be completed. Shareholders and potential investors should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the actions they should take. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company.

#### **BY ORDER OF THE BOARD**

Poh Kok Hong  
Executive Director and CEO  
9 September 2019