
**UPDATE ON THE TERMINATION OF THE LETTER OF INTENT DATED 30 OCTOBER 2018 IN
RELATION TO THE PURCHASE OF CON DAO GREEN ENERGY CO. LTD.**

- ENTRY INTO DEED OF SETTLEMENT

1. INTRODUCTION

- 1.1 The Board of Directors (the “**Directors**” or the “**Board**”) of Darco Water Technologies Limited (the “**Company**” and together with its subsidiaries, collectively, the “**Group**”) refers to the Company’s previous announcements made on 31 October 2018, 1 November 2018 and 26 August 2019 in relation to the issuance by Darco Water Systems Sdn. Bhd. (“**DWS**”), a subsidiary of the Company, of the letter of intent dated 30 October 2018 (the “**LOI**”) to purchase Con Dao Green Energy Co., Ltd. (“**Con Dao Green Energy**”) (the “**Proposed Acquisition**”), the Build-Own-Operate developer of Con Dao Solar Power Park in Vietnam (the “**Con Dao Project**”), and the Company’s previous announcements made on 13 August 2021 and 4 October 2021 (collectively, the “**Previous Announcements**”) in relation to the termination of the LOI.
- 1.2 The Board wishes to update shareholders of the Company (“**Shareholders**”) that the Company has on 29 December 2021 entered into a deed of settlement (the “**Deed of Settlement**”) with Con Dao Green Energy and Mr Dinh Minh Dao (“**Mr Dao**”) in relation to the repayment of the US\$600,000 previously paid by the Company (the “**Repayment Amount**”), and pursuant to which, *inter alia*, the relevant parties have agreed terms for the full and final settlement of any dispute relating to the LOI and the letter of advancement dated 30 November 2018 issued by DWS to Con Dao Green Energy (the “**Letter of Advancement**”).

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to them in the Previous Announcements.

2. SALIENT TERMS OF THE DEED OF SETTLEMENT

Terms of Settlement

- 2.1 Mr Dao and Con Dao Green Energy jointly and severally shall (and irrevocably jointly and severally undertake to) pay to DWS the Repayment Amount (represented by the total sum of US\$600,000) payable by way of the assignment or transfer of the 5% capital contribution (together with any and all legal and beneficial title and ownership, entitlements, interests, rights and powers attached thereto and free from any mortgage, assignment of receivables, debenture, lien, charge, pledge, security interest, title retention, right to acquire, options, restriction on transfer and any other encumbrance or condition whatsoever and any other arrangement having substantially the same or similar economic effect) in respect of Darco Ba Lai Water Supply Company Limited (“**Darco Ba Lai**”) (the “**5% Ba Lai Shares**”), a subsidiary of the Company, held by and registered in the name of Ms Nguyen Thi Ai My, as at the date of the Deed of Settlement (the “**Share Transfer**”).
- 2.2 The parties acknowledge that, subject to and condition upon the fulfilment (unless waived in writing by DWS in its sole discretion) of all of the Conditions (as defined below), the payment of the Repayment Amount, as described in paragraph 2.1 above, is in full and final settlement of, and

each party hereby releases and forever discharges, all and/or any actions, claims, rights, demands and set-offs, whether in this jurisdiction or any other, whether or not presently known to the parties or to the law, and whether in law or equity, that it ever had, may have or hereafter can, shall or may have against the other parties arising out of or connected with the LOI and the Letter of Advancement.

“**Conditions**” means all of the following conditions, and each, a “**Condition**”:

- (a) Darco Ba Lai Water Supply Company Limited, having secured a concession for the Ba Lai Water Supply Project from the Ba Lai District Government on terms and subject to conditions reasonably satisfactory to DWS;
- (b) Mr Dao having procured a release and full discharge of the 5% Ba Lai Shares from security created by and pursuant to a share pledge agreement dated 22 January 2021 entered into between and among (i) Ms Nguyen Thi Ai My; (ii) Darco Nghe An Company Limited; (iii) Darco Ba Lai Water Supply Company Limited; and (iv) Hung Thanh Investment Environment JSC pursuant to which a pledge is created over the 5% Ba Lai Shares as a security for certain obligations, which 5% Ba Lai Shares (together with any and all entitlements, interests, rights and powers attached thereto) are, as at the date of the Deed of Settlement, held by and registered in the name of Ms Nguyen Thi Ai My, on terms and subject to conditions reasonably satisfactory to DWS; and
- (c) the approval of the Board duly granted for the entry by DWS into the Deed of Settlement and the terms and conditions thereof.

Darco Ba Lai and the 5% Ba Lai Shares

- 2.3 Darco Ba Lai is a joint venture between Darco Viet Water Company Limited (“**Darco Viet Water**”) with 95% shareholding interest and Mr Dao with 5% as the local Vietnamese partner. The Company understands that Mr Dao’s shares in Darco Ba Lai (being the 5% Ba Lai Shares) are held by and registered in the name of Ms Nguyen Thi Ai My as his nominee. Darco Viet Water is a joint venture between the Company, with an effective shareholding interest of 51%, and InfraCo Asia Development Pte. Ltd, with a 49% shareholding interest.

Darco Ba Lai was awarded the investment certificate to supply water to residents in Ba Tri District, Ben Tre Province, Vietnam. This project is currently under construction, and is targeting to achieve commercial operation in the second half of FY2022. When fully operational, the project will have a daily designed water treatment capacity of 15,000m³ to around 100,000 residents in the Ba Tri District.

- 2.4 The parties mutually agree that the 5% Ba Lai Shares shall be valued (or deemed to be valued) at US\$200,000 based on the latest transaction between Darco Viet Water and an independent party in August 2021.
- 2.5 Based on the combined unaudited group accounts of Darco Ba Lai as at 30 June 2021, the book value for the 5% Ba Lai Shares was approximately S\$66,300 and the net tangible asset value for 5% Ba Lai Shares was approximately S\$66,300.

Assurance of Payment

- 2.6 In consideration of DWS agreeing or having, at Mr Dao’s request, entered into the Deed of Settlement, Mr Dao irrevocable and unconditionally agrees and undertakes with and for the benefit of DWS, as a separate and independent primary obligation, to personally procure and ensure that

Con Dao Green Energy fulfils its payment obligation under or in respect of the Deed of Settlement in full and in accordance with the terms and conditions of the Deed of Settlement, and whenever Con Dao does not fulfil its payment obligation under or in respect of the Deed of Settlement in full when it becomes due for payment or discharge, Mr Dao shall personally procure and ensure that such payment is made to DWS.

- 2.7 In addition, Mr Dao shall (and hereby irrevocably undertakes to) procure the Share Transfer to be duly effected by Ms Nguyen Thi Ai My as legal and beneficial owner of the 5% Ba Lai Shares in accordance with paragraph 2.1 above.

3. RELATIVE FIGURES UNDER RULE 1006

Based on the latest announced consolidated financial statements of the Group for the half year ended 30 June 2021 (“1H2021”), the relative figures for the acquisition of the 5% Ba Lai Shares pursuant to the Deed of Settlement as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are as follows:

Rule 1006 Bases of calculation	Relative figure %
(a) The net asset value of the assets to be disposed of, as compared with the Group’s net asset value	Not applicable ⁽¹⁾
(b) The net profit/loss attributable to the assets acquired or disposed of, compared with the Group’s net profits/losses	0.08% ⁽²⁾
(c) The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	1.91% ⁽³⁾
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable ⁽⁵⁾

Notes:

- 1) Rule 1006(a) is not applicable to an acquisition of assets.
- 2) Based on the combined unaudited net loss attributable to the 5% Ba Lai Shares for the half year ended 30 June 2021 of approximately S\$1,893 and the Group’s unaudited net loss of approximately S\$2,311,000 for the half year ended 30 June 2021. Net profit/loss is defined to be profit or loss before income tax, minority interests and extraordinary items.
- 3) The value of the consideration accorded to the 5% Ba Lai Shares is US\$200,000 (or equivalent to approximately S\$268,918), compared to the Company’s market capitalisation of approximately S\$14,046,574. The market capitalisation of the Company was computed based on its existing share capital of 93,831,492 shares in the capital of the Company (excluding treasury shares) (the “Shares”) and the volume weighted

average price of S\$0.1497 per Share on 24 December 2021 (being the last market day on which the Shares were traded preceding the date of the Deed of Settlement).

- 4) Rule 1006(d) is not applicable as the Company is not issuing equity securities as consideration for the Proposed Acquisition.
- 5) Rule 1006(e) is not applicable as the Company is not a mineral, oil and gas company.

Under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), where all the relative figures computed on the bases set out in Rule 1006 amount to 5% or less, the transaction shall constitute a "non-discloseable transaction" for the purposes of Chapter 10 of the Listing Manual. Based on the relevant figures computed under Rule 1006 of the Listing Manual, as the relative figures under Rules 1006(b) and 1006(c) amount to 5% or less, and the net loss attributable to the 5% Ba Lai Shares amounts to 5% or less of the consolidated net loss of the Company (taking into account only the absolute value (such percentage being 0.08%), the Share Transfer therefore constitutes a "non-discloseable transaction" under the provisions of Rule 1006 and paragraph 4.3 of Practice Note 10.1 of the Listing Manual.

4. FINANCIAL EFFECTS

4.1 Bases and assumptions

The following are presented purely for illustrative purposes only and are neither indicative nor do they represent the actual future financial situation or any projection of the financial performance or position of the Group following completion of the acquisition of the 5% Ba Lai Shares pursuant to the Deed of Settlement. The financial effects of the disposal of the Sale Shares pursuant to the Deed of Settlement on the Company as set out below are based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**"), as well as the following bases and key assumptions:

- (a) the financial effects of the acquisition of the 5% Ba Lai Shares pursuant to the Deed of Settlement on the Group's net tangible asset value ("**NTA**") per Share are computed based on the assumption that the acquisition of the 5% Ba Lai Shares was completed on 31 December 2020; and
- (b) the financial effects of the acquisition of the 5% Ba Lai Shares pursuant to the Deed of Settlement on the Group's earnings per Share ("**EPS**") are computed based on the assumption that the acquisition of the 5% Ba Lai Shares was completed on 1 January 2020.

4.2 NTA per Share

	Before the acquisition of the 5% Ba Lai Shares	After the acquisition of the 5% Ba Lai Shares
NTA (S\$'000)	S\$43,967	S\$43,967
Number of Shares	93,831,492	93,831,492
NTA per Share (S\$ cents)	46.86	46.86

4.3 EPS

	Before the acquisition of the 5% Ba Lai Shares	After the acquisition of the 5% Ba Lai Shares
Group profit/(loss) after tax (S\$'000)	S\$1,176	S\$1,174
Weighted average number of Shares (excluding treasury shares)	93,831,492	93,831,492
EPS (S\$ cents)	1.25	1.25

4.4 Impairment

Based on the information available to the Company as of the date hereof, and as a result of the entry into the Deed of Settlement, the maximum further impairment amount that may be required to be made in the financial statements of the Company for the financial year ended 31 December 2021 will be approximately US\$400,000 (equivalent to approximately S\$537,836).

This further impairment, if made, will have a material impact on the financial performance of the Company. Based on the latest audited consolidated financial statements of the Company for FY2020, the further impairment will amount to approximately 29.5% of the Group's profit before tax for FY2020.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders of the Company and their respective associates has any interests, direct or indirect, in the transactions contemplated by the Deed of Settlement, other than through their respective shareholding interests in the Company, if any.

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Deed of Settlement and the transactions contemplated therein, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

7. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. The Company will make the necessary announcements as and when there are further developments in relation to the above matter. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stock brokers, bank managers, financial advisors, legal advisors and/or other professional advisors 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

29 December 2021