

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

---

**BUSINESS TIMES ARTICLE DATED 21 JANUARY 2020**

---

The Company refers to the article entitled “*Minority Shareholder Objects to Darco’s Share Placement*” in The Business Times on 21 January 2020 relating to the proposed share placement exercise to raise S\$6,545,000 in gross proceeds as announced by the Company on 13 January 2020.

The Company would like to provide the following responses (set out in bold) to comments attributed to Sofos Infrastructure Investment Fund (set out in italics):

- (a) *“highly” dilutive private share placement*

**The placement shares represent approximately 19.93% of the issued shares of the Company as at the date of the placement announcement, and approximately 16.62% on an enlarged basis. This accords with the general share issue mandate granted by shareholders at the annual general meeting of the Company held on 25 April 2019.**

- (b) *Sofos does not think capital raising is warranted now. It believes that Darco has “sufficient” funds for its endeavours and working purposes*

**The Company has approximately S\$5.5 million cash, after excluding amounts maintained and required as working capital in its subsidiaries. The Company is also due to repay a loan of S\$4.4 million maturing in March 2020 and approximately S\$3 million is required for projects committed to by the Company.**

**The proposed placement will therefore put the Company in funds needed for its working capital and business expansion.**

- (c) *“significant” discount to Darco’s net tangible assets (NTA) per share of S\$0.51*

**The Company’s NTA per share cannot be the sole metric of assessment of the proposed placement. The placement price, negotiated on an arm’s length basis between the Company and the placees, would necessarily have to take into account other factors, including the historical trading share price, liquidity of shares, financial position and prospects of the Company.**

**Shareholders would also note that the Company’s shares had traded thinly in the range of S\$0.125 to S\$0.25 per share in the past six months, well below the Company’s NTA per share.**

**The Company would further share that based on its latest available information to the Company, the NTA of the Company is currently approximately S\$43 million, which translates to around S\$[•0.458] per share after factoring in its financial performance to date.**

- (d) *selling activities last December that drove Darco’s share price down to below S\$0.20 before the share placement agreement*

**If there is an inference that the Company is involved in or privy to market activities intended to engineer a higher share price premium for the placement price *vis-à-vis* the**

**market price, such inference is rejected in entirety.**

- (e) *Sofos asked Darco not to proceed with the placement until it is “satisfied that there are no reasons to object to” the exercise*

**The Company is of the view the proposed placement is in the best interest of shareholders, and intends to carry out the proposed placement in accordance with the terms of the placement agreement.**

**Whilst the Company understands and values the difference of opinions from shareholders relating to any corporate action it takes, it is unable to wait until all shareholders are fully satisfied and have no objections before carrying out corporate actions which it considers are beneficial to the Company and shareholders as a whole.**

- (f) *If Sofos does “not receive a satisfactory reply” by the deadline, it “will place this matter in the hands of our lawyers”*

**As the proposed placement is in the interest of the Company, the Company will undertake the proposed placement in accordance with the terms of the placement agreement.**

**The Company regrets any threat intended to prevent it from carrying out corporate actions which it assesses are beneficial to the interest of the Company and shareholders as a whole.**

The Company hopes that the responses above may be helpful to shareholders in further understanding the context of the proposed placement.

In the meantime, shareholders and potential investors are advised to refrain from taking any action in respect of their shares of the Company which may be prejudicial to their interests, and to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

**By Order of the Board**

Poh Kok Hong  
Executive Director and CEO  
22 January 2020