



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

PROPOSED PLACEMENT OF 3,500,000 NEW ORDINARY SHARES IN THE CAPITAL OF DARCO WATER TECHNOLOGIES LIMITED

1 INTRODUCTION

- 1.1 The Board of Directors (the “**Board**” or the “**Directors**”) of Darco Water Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has, on 13 November 2017 entered into a placement agreement (the “**Placement Agreement**”) with Sofos Infrastructure Investment Fund SPC (the “**Placee**”), pursuant to which the Company proposes to issue up to 3,500,000 new ordinary shares in the capital of the Company (the “**Placement Shares**”) to the Placee and/or such nominee as may be designated by the Placee, at a placement price of S\$0.60 (the “**Placement Price**”) for each Placement Share (the “**Proposed Placement**”).
- 1.2 The Placement Price represents a premium of approximately 7.1% to the volume weighted average price of S\$0.56 for each share of the Company (the “**Share**”) for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the last full market day on 10 November 2017 (being the last full trading day prior to the signing of the Placement Agreement).
- 1.3 Assuming the completion of the Proposed Placement, the 3,500,000 Placement Shares that are to be issued pursuant to the Proposed Placement represent approximately 6.11% of the existing issued share capital of the Company of 57,326,601 Shares (the “**Existing Share Capital**”), and 5.75% of the enlarged share capital of the Company of 60,826,601 Shares (the “**Enlarged Share Capital**”).
- 1.4 The offer of the Placement Shares from the Company to the Placee will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. As such, the Proposed Placement is not made in or accompanied by a prospectus or offer information statement that is registered by the Monetary Authority of Singapore.
- 1.5 The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares on the SGX-ST, and will make the necessary announcements once the in-principle approval of the SGX-ST (the “**Listing Approval**”) has been obtained.

2 RATIONALE FOR THE PROPOSED PLACEMENT

- 2.1 The rationale for the Proposed Placement is to raise funds for the Company to invest in public-private partnership water infrastructure projects.
- 2.2 The aggregate consideration payable by the Placee is S\$2,100,000 (the “**Placement Consideration**”). The estimated net proceeds from the Proposed Placement is S\$2,032,000 after deducting estimated fees and expenses (including the Introducer’s fee) of approximately S\$68,000 (the “**Net Proceeds**”). The Company intends to utilise the Net Proceeds in the following proportion:

Use of Net Proceeds	Proportion of Net Proceeds (%)	Approximate Amount (S\$ million)
Funding new projects or investments when opportunities arise	70%	1,422,000
Working capital	30%	610,000

2.3 Pending deployment of the Net Proceeds for such purposes, the Net Proceeds may be placed in deposits with financial institutions or invested in short-term money market instruments or used for any other purposes on a short-term basis as the Directors may in their absolute discretion deem fit in the interests of the Group.

2.4 The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed, and will provide a status report on the use of the Net Proceeds in the annual report of the Company. Where the Net Proceeds have been used for working capital, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in the announcements and annual reports.

3 INFORMATION ON THE PLACEE

3.1 The Placee is an investment fund, managed by Sofos Capital Management Pte. Ltd. The Placee was introduced to the Company by Mr. Xiong Zheng (the “**Introducer**”). The Introducer approached the Company with the intention of introducing potential clients to the Company for the purpose of the Proposed Placement.

Subject to the completion of the Placement, a commission of approximately S\$63,000 (the “**Commission**”), being 3.0% of the Placement Consideration, shall be payable to the Introducer by the Company.

3.2 The Placement Shares subscribed by the Placee is as follows:

Name of Placee	Number of Placement Shares subscribed for
Sofos Infrastructure Investment Fund SPC	3,500,000

As at the date of this announcement, the Placee does not hold any Shares (directly or indirectly) in the Company. Upon completion of the Proposed Placement, the Placee will hold an aggregate of 3,500,000 Shares, representing approximately 5.75% of the Enlarged Share Capital.

3.3 The Placee’s subscription of the Placement Shares is for investment purposes only. The Placee has no intention of influencing the management of or exercising control over the Company. Accordingly, the Placee does not intend to acquire additional shares in the Company such that its shareholding in the Company shall reach 15.0% or more of the enlarged issued and paid-up share capital of the Company.

3.4 The Placee does not hold any interest in any investment or any directorship in the Company or businesses in competition with the Group. The Placee has no connection with the Company, its Directors and substantial shareholders (including any business dealings), and is not a person to whom the Company is prohibited from issuing Shares to, as provided for by Rule 812 of the Listing Manual of the SGX-ST.

4 AUTHORITY TO ISSUE THE PLACEMENT SHARES

4.1 The Placement Shares to be issued to the Placee will be issued pursuant to the share issue mandate (the “**Share Issue Mandate**”) that was approved by shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company convened on 28 April 2017 (the “**AGM**”). Pursuant to the Share Issue Mandate, the Directors have the authority to, amongst others, issue Shares and/or make or grant offers, agreements or options (collectively, the “**Instruments**”) that might or would require Shares to be issued, such that the aggregate number of Shares (including Shares to be issued pursuant to the Instruments) and Instruments shall not exceed 50.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM, of which the aggregate number of Shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20.0% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM.

4.2 As at the date of the AGM, the Company had an issued share capital of 54,826,601 Shares. As at the date of this announcement, no Shares had been issued pursuant to the Share Issue Mandate. Accordingly, 27,413,300 Shares may be issued pursuant to the Share Issue Mandate, of which the maximum number of Shares that can be issued other than on a pro rata basis is 10,965,320 Shares. Therefore, the 3,500,000 Placement Shares that may be issued to the Placee pursuant to the Proposed Placement falls within the limits of the Share Issue Mandate.

5 PRINCIPAL TERMS OF THE PLACEMENT AGREEMENT

5.1 Placement Shares and Placement Price

The Placee has agreed to subscribe and pay for an aggregate of 3,500,000 Placement Shares at the Placement Price of S\$0.60 for each Placement Share.

The Placement Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank, *pari passu*, in all respects with the existing Shares save that they will not rank for any dividends, rights, allotments or other distributions, the Record Date of which falls on or before the relevant date of completion of the Proposed Placement (the “**Completion Date**”). The term “**Record Date**” means the date fixed by the Company for the purposes of determining the entitlements to dividends or other distributions to or rights of holders of Shares.

5.2 Conditions Precedent

Completion of the Proposed Placement shall be conditional upon the following:

- (a) the Placee having obtained all governmental approvals in Singapore or elsewhere required under any applicable laws for the remittance of the placement consideration to the bank account designated by the Company;
- (b) the Listing Approval having been obtained (on terms and conditions acceptable to the Company and the Placee, each acting reasonably) and not being revoked or amended, and any conditions attached to the Listing Approval which is required to be fulfilled on or before the Completion Date, having been fulfilled on or before that date to the satisfaction of the SGX-ST unless waived by the SGX-ST;
- (c) the Proposed Placement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere which is applicable to the Company or the Placee (including, but not limited to, the SGX-ST);
- (d) there having been, as at the Completion Date, no occurrence of any event nor the discovery of any fact rendering untrue or incorrect in any material respect any of the representations and warranties contained in the Placement Agreement as if they were repeated on and as of the Completion Date; and

- (e) the Company or the Placee is not in breach of any of the undertakings and covenants given in the Placement Agreement as at the Completion Date, and if any of such undertakings and covenants are required to be fulfilled on or before the Completion Date, such undertakings and covenants shall have been fulfilled prior to the Completion Date,

(collectively, the “**Conditions Precedent**”).

If any of the Conditions Precedent is not satisfied or waived in whole or in part by the Company on or before the date falling 90 calendar days after the date of the Placement Agreement or such other date as the Company and the Placee may agree, the Company and the Placee shall be released and discharged from their respective obligations under the Placement Agreement, save for certain rights and liabilities accrued on or prior to such termination according to the terms of the Placement Agreement.

5.3 Completion

Completion of the Proposed Placement shall take place five business days after the date the last of the Conditions Precedent are satisfied (or, if that day is not a business day, on the next business day), or such other date as the Company and the Placee may agree in writing. In any event, the Completion Date shall be no earlier than 31 December 2017.

6 FINANCIAL EFFECTS

The financial effects of the Proposed Placement on the net tangible asset (“**NTA**”) per Share and the earnings per Share (“**EPS**”) are prepared for illustrative purposes only and do not purport to reflect the actual future results and financial position of the Group following completion of the Proposed Placement. The financial effects have been computed based on the following bases and assumptions:

- (a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2016;
- (b) the effect of the Proposed Placement on the NTA per Share is computed based on the issued share capital of 52,326,601 Shares prior to the Proposed Placement and the assumption that the Proposed Placement was completed on 31 December 2016; and
- (c) the effect of the Proposed Placement on the EPS is computed based on the weighted average number of 46,840,077 Shares prior to the Proposed Placement and 50,340,077 Shares after completion of the Proposed Placement, on the assumption that the Proposed Placement was completed on 1 January 2016.

	Before Completion of the Proposed Placement	After Completion of the Proposed Placement
Issued and paid-up share capital (S\$'000)	51,405	53,437
Number of Shares	52,326,601 ⁽¹⁾	55,826,601 ⁽²⁾
NTA per Share (cents)	47.57	48.23
Weighted average number of Shares	46,840,077 ⁽¹⁾	50,340,077 ⁽²⁾
EPS (cents)	5.49	5.11

Notes:

- (1) The number of Shares does not include the 5,000,000 Shares which were issued to Capital Boom Limited and Robert Stone Alexander on 7 April 2017 and 3 May 2017, respectively, pursuant to the placement agreements entered into by the Company with each of the aforesaid placees (the “**CB and RS Placements**”). Please refer to the announcements released by the Company on 7 April 2017 and 3 May 2017 for details on the completion of the CB and RS Placements.
- (2) Computed on the basis of an enlarged issued Share capital of 55,826,601 Shares. This does not include the 5,000,000 Shares which were issued pursuant to the completion of the CB and RS Placements.

7 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Placement, save for their respective interests in the Shares.

The table below sets out the shareholdings interest of the Company’s Directors and substantial shareholders before and after the completion of the Proposed Placement.

Name	As at the date of this announcement (Number of Shares)			Before the Proposed Placement (%)	After the Proposed Placement (%)
	Direct Interest	Deemed Interest	Total Interest		
<u>Directors</u>					
Thye Kim Meng	7,155,485	-	7,155,485	12.48%	11.76%
Heather Tan Chern Ling	8,160	-	8,160	0.01%	0.01%
Wang Yaoyu ⁽¹⁾	-	13,387,118	13,387,118	23.35%	22.01%
Tay Lee Chye Lester	-	-	-	-	-
Tay Von Kian	-	-	-	-	-
Oh Chee Sien	-	-	-	-	-
<u>Substantial Shareholders</u> (other than Directors)					
Robert Alexander Stone	9,165,500	-	9,165,500	15.99%	15.07%
Wuhan Liankai Investment Co., Ltd.	13,387,118	-	13,387,118	23.35%	22.01%
Wah Lee Industrial Corp.	4,589,869	-	4,589,869	8.01%	7.55%

Notes:

- (1) As at the date of this announcement, Wang Yaoyu holds approximately 25.07% of the total equity of Wuhan Liankai Investment Co., Ltd. By virtue of Section 7 of the Companies Act, he is deemed interested in the Shares held by Wuhan Liankai Investment Co., Ltd.

8 FURTHER ANNOUNCEMENTS

The Company will release further announcements to update Shareholders, as and when there are material updates or developments in due course.

9 DIRECTORS' 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 Proposed Placement, 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 have been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the announcement in its proper form and context.

BY ORDER OF THE BOARD

Thye Kim Meng
Chairman, Managing Director and Chief Executive Officer
13 November 2017