

DARCO WATER TECHNOLOGIES LIMITED

(Company Registration No. 200106732C)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF 4-STOREY OFFICE BUILDING IN HUBEI PROVINCE OF PEOPLE'S REPUBLIC OF CHINA

1 INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Darco Water Technologies Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that Wuhan Kaidi Water Services Co., Ltd (“**WHKD**”), a 60% owned subsidiary of the Group, has acquired an office building (the “**Property**”) in Hubei Province of People’s Republic of China (“**PRC**”) (the “**Proposed Acquisition**”) for a total consideration of RMB11,948,080 (equivalent to approximately S\$2.4 million based on exchange rate of 1 RMB = S\$4.90943) (the “**Purchase Consideration**”) from an independent and unrelated third party (the “**Vendor**”).

2 INFORMATION ON THE PROPERTY

The Property is located within Wuhan Donghu Technology Development District, Wuhan, Hubei Province. The office building was newly constructed under Digital China Wuhan Science and Technology Park Project. The Property is a 4 storey office building with the gross area of 1,493.51 square metres and remaining lease term of approximately 45 years, which will expire on March 2061. The Property is located at North of Da Shu Road East, East of Guang Gu Road.

3 PURCHASE CONSIDERATION

The Purchase Consideration was arrived at following arms’ length negotiation between WHKD and the Vendor, on a “willing buyer willing seller” basis, taking into consideration, *inter alia*, relevant enquiries and references made by the Group in relation to the current market prices of properties in the surrounding area of similar size and lease tenure. The Purchase Consideration will be wholly satisfied in cash, which will be funded by internal resources and bank borrowings. No valuation is required as the Property is a newly constructed office building that is bought directly from the property developer.

4 PAYMENT TERMS

The Purchase Consideration shall be payable in two (2) tranches as follows:

- (i) **First Tranche Payment:** A down payment of RMB 5,978,080 shall be payable upon signing of the sales and purchase agreement.
- (ii) **Second Tranche Payment:** The remaining RMB 5,970,000 shall be financed via bank borrowings and will be payable upon the approval of the bank borrowing.

5 OTHER MATERIAL TERMS

Under the Sales and Purchase Agreement (“SPA”), the Proposed Acquisition is subject to the fulfilment of the material conditions, which include, but not limited to, the following:

- (i) installation and completion of water and electricity supply to the Property;
- (ii) obtaining building occupancy permit; and
- (iii) transferring of the legal ownership.

The Board expects the Proposed Acquisition will be completed by December 2016.

6 RATIONALE FOR THE ACQUISITION

As WHKD is currently operating out of leased premises, the Property is an ideal office building for WHKD in view of the Company’s future expansion plans. With this Property, WHKD will be able to eliminate the unpredictability of rental increases and add tangible benefits to the Group in terms of value appreciation. The Proposed Acquisition is expected provide cost savings on lease rental, improve our competitive advantage and enhance our brand image in the PRC market.

7 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to have a material impact on the earnings per share and net tangible assets per share of the Group for the current financial year ending 31 December 2016.

8 RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Mainboard Listing Manual of the SGX-ST (“Listing Manual”) in respect of the Proposed Acquisition, and based on the latest announced consolidated financial statements of the Group for the half year ended 30 June 2016 are as follows:

Rule 1006	Bases	Percentage (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
(b)	Net profits attributable to the assets disposed of, compared with the Group’s net profits.	Not applicable
(c)	Aggregate value of the consideration received, compared with the Company’s market capitalisation ⁽¹⁾ based on the total number of issued shares excluding treasury shares.	14.3
(d)	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
(e)	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

8 RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL *(Continued)*

Note:

(1) Based on the closing price of the shares of the Company transacted on the SGX-ST on 30 August 2016, and on the exchange rate of S\$1.00: RMB 4.90943.

Since the relative figure computed on the bases set out in Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a disclosable transaction.

9 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders, other than through their shareholding interests in the Company, has any interest, direct or indirect, in the Proposed Acquisition.

10 SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection during normal business hours at the Company's registered office at 123 Woodlands Industrial Park E5, Woodlands E-Terrace, Singapore 757498 for a period of three (3) months from the date of this announcement.

By Order of the Board

Thye Kim Meng
Managing Director and Chief Executive Officer
31 August 2016