DARCO WATER TECHNOLOGIES LIMITED
(Incorporated in Singapore)
(Registration No. 200106732C)

PROPOSED DISPOSAL OF 60% EQUITY INTEREST IN DARCO YOULI CO., LTD.

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Darco Water Technologies Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has entered into two separate sale and purchase agreements (the "**SPAs**") with Mr. Hsu Chin-Kou (許錦構) (the "**Mr Hsu**") and Mr. Kokuto Kaku (郭國棟) (the "**Mr Kokuto**"), collectively (the "**Purchasers**").

Pursuant to the SPA, Mr. Hsu and Mr. Kokuto have agreed to purchase the 40% and 20% issued and paid-up capital (the "**Sale Shares**") of the Company's subsidiary, Darco Youli Co., Ltd (达阔友力股份有限公司) ("**Darco Youli**"), respectively (the "**Proposed Disposal**").

2. INFORMATION ON DARCO YOULI AND THE PURCHASERS

DARCO YOULI

Darco Youli is a 60% owned subsidiary of the Company, held through the wholly owned subsidiary, Darco Remediation Technologies Inc. ("**Darco Remediation**"). Darco Youli began operation in March 2011.

Darco Youli is principally engaged in medical waste processing. Its medical waste treatment facility is licensed to process the "C-05" type of medical and bio-medical waste, across all medical institutions in Taiwan. The approved handling capacity is 180 tons per month (300kg per hour).

MR. HSU

Mr. Hsu, an independent and unrelated third party, at present, the Minority Partner holding 40% shares in Darco Youli. He is also the Director of Darco Youli.

MR KOKUTO

Mr. Kokuto, an independent and unrelated third party, is the business development consultant for a Japanese company. He is in charge of new business developments in the China and Taiwan markets.

3. PRINCIPAL TERMS OF THE SPA

Purchase Consideration

Transaction 1

The Company has agreed to sell its 40% equity interest in Darco Youli to Mr. Hsu at the price of TWD 10.27 per share. The consideration for the Proposed Disposal will be satisfied in cash, at a total sum of TWD 38,746,954 (equivalent to S$1,768,411 based on exchange rate of 1 TWD = S$0.0456) by Mr. Hsu.

Transaction 2

The Company has agreed to sell its 20% equity interest in Darco Youli to Mr. Kokuto at the price of TWD 10.27 per share. The consideration for the Proposed Disposal will be satisfied in cash, at a total sum of TWD 19,373,472 (equivalent to S$884,205 based on exchange rate of 1 TWD = S$0.0456) by Mr. Kokuto,

collectively (the "**Purchase Consideration**")

The Purchase Consideration was arrived at by agreement between the Purchasers and the Company at arm's length, on a willing buyer, willing seller basis after taking into account the net asset value/ net tangible asset value of Darco Youli as at 31 December 2016 of approximately TWD 96,846,000 based on the local Generally Accepted Accounting Principles ("**GAAP**") report.

Payment Terms

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

1) **First Tranche Payment**: Within 15 days upon signing of the SPAs, the Purchasers shall pay the Company TWD 5,812,043 in cash; and

2) **Second Tranche Payment**: Subsequent to the execution of the SPAs and the approval by the Board of Directors for the Proposed Disposal, the Purchasers shall, within 60 days of the satisfaction of the aforementioned conditions pay the Company the remaining portion of the Proposed Consideration of TWD 52,308,383 in cash.

4. RATIONALE FOR THE PROPOSED DISPOSAL

a. New competitive landscape

Darco Youli's competitor that has a sizable market share in the medical waste business in Taiwan recently obtained the approval from the authorities approximately double its current capacity.

With its handling capacity of 180 tons of waste per month, Darco Youli is considered a relatively small player in the Taiwan market, and faces stiff competition.

b. Plant performance

Darco Youli is currently operating at the maximum capacity, with no additional capacity or back up facilities to cope with sudden volume spikes, emergencies, or plant breakdown. Due to insufficient cold storage facility, Darco Youli faced problems in handling the medical waste volume when the plant undergoes periodical maintenance.

Besides, further capital injection is required to refurbish the current plant to ensure that it does not breach any environmental rules such as Environmental Protection Adminstration R.O.C (Taiwan) limit.

The Management is of the view that investment activities shall be the key focus for the Group to generate revenue and profits moving forward. With low market presence in Taiwan and limited plant capacity, further investment would required in order to keep Darco Youli remain viable and competitive. Therefore, considering that the Management's intention is to either scale down, or exit the Taiwan market entirely.

The Proposed Disposal will allow the Company to have more available cash to fund new investments and/or venture into new markets.

5. PROCEEDS FROM THE PROPOSED DISPOSAL

The net sale proceeds from the Proposed Disposal, after deducting all costs and expenses, is estimated to be approximately S$2,618,000. The net sale proceeds will be used as working capital for the Company's private sector projects.

The book value of Darco Youli on the Group's audited consolidated accounts as at 31 December 2016 was S$2,609,000. Therefore, the gain on disposal is approximately S$9,000.

6. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The proforma financial effects of the Proposed Disposal on the net tangible assets ("**NTA**") per share and the earnings per share ("**EPS**") of the Group are set out below. The pro-forma financial effects have been prepared based on the audited financial results of the Group for the financial year ended 31 December 2016 ("**FY2016**").

The following are purely for illustrative purposes only and are therefore not indicative of the actual financial position of the Group after completion of the Proposed Disposal.

NTA

The pro-forma financial effects of the Proposed Disposal on the Group's NTA per share, assuming that the Proposed Disposal had been completed on 31 December 2016, being the end of the most recently completed financial year, are set out below:

	Before Proposed Disposal	**After Proposed Disposal**
NTA (S$ '000)	24,891	24,900
Number of shares[(1)]	52,326,601	52,326,601
NTA per share (cents)	47.57	47.59

Note:

(1) The number of shares does not include the 5,000,000 shares which were issued on 7 April 2017 and 3 May 2017 from the placement completed as announced on 3 May 2017.

EPS

The pro-forma financial effects of the Proposed Disposal on the consolidated earnings of the Group, assuming that the Proposed Disposal had been completed on 1 January 2016, being the beginning of the most recently completed financial year, are set out below:

	Before Proposed Disposal	**After Proposed Disposal**
Profits attributable to Shareholders of the Company (S$'000)	2,572	2,296
Number of shares [(1)]	52,326,601	52,326,601
EPS (cents)	5.49	4.90

Note:

(2) The number of shares does not include the 5,000,000 shares which were issued on 7 April 2017 and 3 May 2017 from the placement completed as announced on 3 May 2017.

7. 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 Main Board Listing Manual of the SGX-ST ("**Listing Manual**") in respect of the Proposed Disposal, and based on the announced audited financial statements of the Group for FY2016 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.	7.59[(1)]
(b)	Net profits attributable to the assets disposed of, compared with the Group's net profits.	7.64[(2)]
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	9.25[(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[(4)]
(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[(5)]

Notes:

(1) 60% of the audited NTA value of the Darco Youli as at 31 December 2016 was approximately S$2,609,000, which represents approximately 7.59% of the Group's net asset value of approximately S$34,383,000 as at 31 December 2016.

(2) 60% of the net profit attributable to the Darco Youli of approximately S$285,000 for FY2016 represents approximately 7.64% of the Group's net profit of approximately S$3,738,000 for FY2016.

(3) The Purchase Consideration of S$2,652,616 represents approximately 9.25% of the Company's market capitalisation of approximately S$28,663,300, computed based on the Company's volume weighted average price of S$0.50 per share on 8 June 2017 (being the last full market day on which the Shares were traded prior to the day on which the SPA was executed as no trades were done on since 9 to 15 June 2017) on the Company's issued and paid up capital of 57,326,601 as at the date of this announcement. The exchange rate used is 1 TWD: S$0.0456 as at 16 June 2017. The Company does not have any treasury shares.

(4) The Proposed Disposal is a disposal of assets and no equity securities are being issued by the Company as consideration for the Proposed Disposal.

(5) The Company is not a mineral, oil and gas company.

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

8 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 Disposal.

9 SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contracts in relation thereto are proposed to be entered into by the Company.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPAs will be available for inspection during normal business hours at the Company's registered office at 21 Marsiling Industrial Estate Road 9, #01-03, Singapore 739175 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Thye Kim Meng
Chairman, Managing Director and Chief Executive Officer
16 June 2017