

MANDATORY CONDITIONAL CASH OFFER

by



UOB KAY HIAN PRIVATE LIMITED

(Company Registration No.: 197000447W)
(Incorporated in the Republic of Singapore)

for and on behalf of

WANG ZHI
(the "Offeror")

to acquire all the issued and paid-up ordinary shares in the capital of

DARCO WATER TECHNOLOGIES LIMITED

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

excluding treasury shares and other than shares already owned, controlled or
agreed to be acquired by the Offeror

OFFER ANNOUNCEMENT

1. INTRODUCTION

1.1. The Acquisition

UOB Kay Hian Private Limited ("UOBKH") wishes to announce, for and on behalf of Mr. Wang Zhi (the "Offeror"), that the Offeror has, on 5 May 2020, purchased from Wuhan Liankai Investment Co. Ltd (the "Seller") an aggregate of 13,387,118 ordinary shares (the "Sale Shares") in the capital of Darco Water Technologies Limited (the "Company"), representing approximately 14.27% of the total number of 93,831,492 issued and paid-up ordinary shares in the capital of the Company (the Company does not hold any treasury shares) (the "Shares"), for an aggregate consideration of S\$2,275,810.06 (the "Consideration"), being S\$0.17 for each Sale Share (the "Acquisition").

The Acquisition was made pursuant to a sale and purchase agreement dated 5 May 2020 and entered into between the Offeror and the Seller for the sale and purchase of the Sale Shares, and was effected by way of a married deal. The Consideration for the Acquisition will be satisfied in cash.

Prior to the Acquisition, the Offeror owned or controlled 27,680,000 Shares, representing approximately 29.50% of the total number of Shares. As a result of the Acquisition, the Offeror now owns or controls an aggregate of 41,067,118 Shares, representing approximately 43.77% of the total number of Shares.

1.2. Mandatory Offer

As a consequence of the Acquisition, the Offeror is required to make a mandatory general offer for all the Shares (excluding treasury shares and other than those already owned, controlled and agreed to be acquired by the Offeror) (the "**Offer Shares**"), in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**").

UOBKH thus wishes to announce, for and on behalf of the Offeror, that the Offeror intends to make a mandatory conditional cash offer (the "**Offer**") for all the Offer Shares.

2. THE OFFER

2.1. Terms of the Offer

Subject to the terms and conditions to be set out in the formal offer document in relation to the Offer to be issued by UOBKH for and on behalf of the Offeror (the "**Offer Document**"), the Offeror will make the Offer for all the Offer Shares in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Code on the following basis:

(i) Offer Price

The consideration for each Offer Share is: **S\$0.17 in cash** (the "**Offer Price**").

(ii) Offer Shares

The Offer, when made, will be extended to all Offer Shares as at the date of this offer announcement (the "**Offer Announcement Date**"). For the avoidance of doubt, the Offer will be also extended to all Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror.

(iii) No Encumbrances

The Offer Shares will be acquired:

- (i) validly issued and fully paid;
- (ii) free from all mortgages, assignments, debentures, liens, hypothecation, charges, pledges, adverse claims, rent-charge, title retention, claims, equity, options, encumbrances, pre-emption rights, rights to acquire, security agreement and security interest or other rights of whatever nature; and
- (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching to thereto, including all voting rights and the right to receive and retain all dividends, rights, return of capital and/or other distributions (the "**Distributions**") (if any) which may be announced, declared, made or paid thereon by the Company on or after the Offer Announcement Date.

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, depending on the settlement date in respect of the Offer Shares tendered in acceptance of the Offer, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such Distribution.

(d) Minimum Acceptance Condition

The Offer will be conditional upon the Offeror having received, by the closing date of the Offer ("**Closing Date**"), valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the total voting rights attributable to the issued Shares (excluding treasury shares).

The Offer is not subject to any other condition.

3. INFORMATION ON THE OFFEROR

The Offeror, a Singaporean Citizen, was appointed to the Board of the Company on 3 April 2018 and re-elected by shareholders of the Company on 26 April 2018 at the annual general meeting of the Company. As at the Offer Announcement Date, he continues to be the Non-Executive Deputy Chairman of the Board and the Non-Executive Chairman of the Investment Committee of the Company.

4. INFORMATION ON THE COMPANY

The Company is a public company limited by shares and was incorporated in Singapore on 13 October 2001. Its shares have been listed on the Mainboard of the SGX-ST since 7 May 2008.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the business of water purification and wastewater treatment systems, including providing maintenance services for such systems and trading and supplying materials used in such systems.

Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on 5 May 2020, the Company has an issued and paid-up share capital of S\$81,797,093.926, comprising 93,831,492 Shares (the Company does not hold any treasury shares). Based on publicly available information, the Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights.

As at the Offer Announcement Date, the Board of Directors of the Company comprises the following individuals:

- (a) Mr. Wang Yaoyu (Executive Chairman);
- (b) Mr. Wang Zhi (Non-Executive Deputy Chairman);
- (c) Mr. Poh Kok Hong (Executive Director and Chief Executive Officer);
- (d) Mr. Tay Lee Chye Lester (Lead Independent Director);
- (e) Mr. Tay Von Kian (Non-Executive Independent Director);
- (f) Ms. Gn Jong Yuh Gwendolyn (Non-Executive Independent Director); and
- (g) Ms. Ong Joo Mien (Non-Executive Independent Director).

5. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following **premium over or discount to** the historical transacted prices of the Shares on the Singapore Exchange Securities Trading Limited (the "SGX-ST"):

Description	Benchmark Price (S\$) ⁽¹⁾	Premium over / (Discount) to the Benchmark Price (%) ⁽²⁾
Last transacted price per Share as quoted on the SGX-ST on 30 April 2020 (being the last full day of trading in the Shares prior to the Offer Announcement Date) (the "Last Trading Date")	0.1300	30.77
Volume-weighted average price ("VWAP") per Share for the 1-month period up to and including the Last Trading Date	0.1275	33.33
VWAP per Share for the 3-month period up to and including the Last Trading Date	0.1302	30.57
VWAP per Share for the 6-month period up to and including the Last Trading Date	0.2021	(15.88)
VWAP per Share for the 12-month period up to and including the Last Trading Date	0.2138	(20.49)

Notes:-

- (1) Based on data extracted from Bloomberg L.P.. Figures have been rounded to the nearest four (4) decimal places.
- (2) Percentage figures have been rounded to the nearest two (2) decimal places.

6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

6.1. Compliance with the Code

As a result of the Acquisition as set out in paragraph 1 of this Announcement, the Offeror is making the Offer in compliance with the requirements of the Code.

6.2. Intention for the Company

The Offeror presently has no intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company.

6.3. Opportunity for Shareholders to Realise their Investment in Cash at a Premium

As set out in paragraph 5 of this Announcement, the Offer Price represents a premium of approximately 33.33% and 30.57% over the VWAP per Share for the 1-month and 3-month periods respectively up to and including the Last Trading Date, and a discount of approximately 15.88% and 20.49% to the VWAP per Share for the 6-month and 12-month periods respectively up to and including the Last Trading Date.

The Offer therefore presents Shareholders with an opportunity to realise up to their entire investment in the Shares in cash at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

7. LISTING STATUS AND COMPULSORY ACQUISITION

7.1. Listing Status

Under Rule 1105 of the listing manual of the SGX-ST (the "**Listing Manual**"), upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the parties acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time as it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Rule 723 of the Listing Manual requires the Company to ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held by the public. In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following completion of the Offer. In the event that the percentage of Shares (excluding treasury shares) held in public hands falls below 10% and the SGX-ST suspends trading of the Shares, the Offeror intends to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

However, the Offeror reserves the right to re-evaluate its position, taking into account, among other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the percentage of Shares (excluding treasury shares) held in public hands falls below 10%.

If the Offeror decides not to maintain the listing status of the Company on the SGX-ST after the Company loses its public float, the SGX-ST will generally consider waiving compliance imposed on a voluntary delisting if (a) the Offer is fair and reasonable (and the independent financial adviser to the Company has opined that the Offer is fair and reasonable), and (b) the Offeror has received acceptances from independent Shareholders at the close of the Offer that represent a majority of least 75% of the total number of issued Shares held by independent Shareholders (which refers to Shareholders other than the Offeror and parties acting in concert with the Offeror). The Offeror will make an announcement if it receives acceptances of the Offer in respect of 75% of the total number of issued Shares held by independent Shareholders.

If the waiver conditions are not met and the Company wishes to undertake a voluntary delisting, it will need to do so in accordance with Rule 1307 of the Listing Manual. In the event the Company is unable to meet the conditions for a voluntary delisting, the Company will be obliged to comply with the Listing Manual, including the requirement to restore its public float (through private placement or otherwise). **Shareholders and investors should note there is the risk that the Company may be subject to prolonged suspension should the free float be lost but the requisite conditions for a delisting are not met.**

7.2. Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), if the Offeror receives valid acceptances of the Offer and/or acquires such number of Offer Shares from the date of the despatch of the Offer Document otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (excluding treasury shares and other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer ("**Dissenting Shareholders**") on the same terms as those offered under the Offer. Under Rule 1308(1)(b) of the Listing Manual, Rules 1307 and 1309 of the Listing Manual do not apply to a delisting pursuant to the Offer provided that the Offeror is exercising its right of compulsory acquisition. Accordingly, independent Shareholders' approval for the delisting under Rule 1307 of the Listing Manual is not required in the event the Offeror exercises its right of compulsory acquisition.

As stated above, it is the current intention of the Offeror to maintain the listing status of the Company. Accordingly, the Offeror presently has no intention of exercising its right of compulsory acquisition under Section 215(1) of the Companies Act, should such right be available to it. However, as set out in paragraph 7.1 above, the Offeror reserves the right to re-evaluate its position, taking into account, among other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

8. DISCLOSURE OF HOLDINGS, DEALINGS AND OTHER ARRANGEMENTS IN RELEVANT SECURITIES

8.1. Holdings in Relevant Securities

Save as disclosed in Schedule 1 to this Announcement, as at the Offer Announcement Date, based on the latest information available to the Offeror, none of the Offeror, its Concert Parties and UOBKH (as the financial advisor to the Offeror in connection with the Offer) (each a "**Relevant Person**" and collectively the "**Relevant Persons**") owns, controls or has agreed to acquire any:

- (a) Shares;
- (b) securities which carry voting rights in the Company; or
- (c) convertible securities, warrants, options or derivatives in respect of the Shares or securities which carry voting rights in the Company

(collectively, the "**Relevant Securities**").

8.2. Dealings

Save as disclosed in this Announcement (including Schedule 1 hereto) and based on the latest information available to the Offeror, none of the Relevant Persons has dealt for value in any Relevant Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Offer Announcement Date (the "**Reference Period**").

8.3. Other Arrangements

Save as disclosed in this Announcement, as at the Offer Announcement Date and based on the latest information available to the Offeror, none of the Relevant Persons has:

- (a) entered into an arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Company or the Offeror which might be material to the Offer;
- (b) granted any security interest relating to any Relevant Securities to another person, whether through a charge, pledge or otherwise;
- (c) borrowed any Relevant Securities from another person (excluding borrowed Relevant Securities which have been on-lent or sold); or
- (d) lent any Relevant Securities to another person.

8.4. Irrevocable Undertaking

As at the Offer Announcement Date and based on the latest information available to the Offeror, none of the Relevant Persons has received any irrevocable commitment from any party to accept or reject the Offer.

8.5. Disclosure of Dealings

In accordance with the Code, the associates (as defined under the Code, and which includes all substantial shareholders) of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company under Rule 12 of the Code.

8.6. Further Enquiries

In the interests of confidentiality, the Offeror has not made enquiries in respect of certain other persons who are or may be presumed to be acting in concert with the Offeror in connection with the Offer. Further enquiries will be made of such persons and the relevant disclosures, if any, will be made in due course and in the Offer Document. For the same reason, UOBKH has also not made further enquiries in respect of persons controlling, controlled by or under the same control as UOBKH. UOBKH will be making the necessary enquiries in respect of the other members of the UOBKH group subsequent to this Announcement and the relevant disclosures, if any, will be made in the Offer Document.

9. CONFIRMATION OF FINANCIAL RESOURCES

UOBKH, as the financial advisor to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer on the basis of the Offer Price.

10. DESPATCH OF THE OFFER DOCUMENT

Further information on the Offer will be set out in the Offer Document to be issued. The Offer Document, which will set out the full terms and conditions of the Offer and enclose the appropriate form(s) of acceptance of the Offer, will be despatched to the Shareholders not earlier than 14 days and not later than 21 days from the Offer Announcement Date. Pursuant to Rule 22.3 of the Code, the Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of the Offer Document.

Shareholders are advised to exercise caution and seek appropriate independent professional advice when dealing in the Shares.

11. OVERSEAS SHAREHOLDERS

11.1. Overseas Jurisdictions

This Announcement does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Announcement in any jurisdiction in contravention of applicable laws. The Offer will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (the “**Restricted Jurisdiction**”) and the Offer will not be made to, nor will the Offer be capable of acceptance by, any person within any Restricted Jurisdiction if the offer to and/or acceptance by such person will violate the laws of the Restricted Jurisdiction. Persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable laws and regulations) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will be not capable of acceptance by any such use, means, instrumentality or facilities.

11.2. Overseas Shareholders

The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the register of members of the Company or in the records of The Central Depository (Pte) Limited (as the case may be) (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable legal requirements in the relevant overseas jurisdictions. **For the avoidance of doubt, the Offer is open to all Shareholders holding Offer Shares, including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.** Further details in relation to Overseas Shareholders will be contained in the Offer Document.

The Offeror and UOBKH each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders who are not resident in Singapore by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement.

12. CAUTIONARY STATEMENT

SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN TRADING IN THE SHARES, AND WHERE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR, TAX ADVISER OR OTHER PROFESSIONAL ADVISERS.

13. RESPONSIBILITY STATEMENT

The Offeror (who may have delegated detailed supervision of this Announcement) has taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that there are no material facts that have been omitted from this Announcement, the omission of which would make any statement in this Announcement misleading, and accepts responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company (including without limitation, information relating to the Company), the sole responsibility of the Offeror has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

Issued by
UOB KAY HIAN PRIVATE LIMITED

For and on behalf of
MR. WANG ZHI
5 May 2020

Any enquiries relating to this Announcement or the Offer should be directed during office hours to:

UOB Kay Hian Private Limited

Mr Ding Hock Chai
Senior Director
Tel: (65) 6590 6881

Mr Alvin Soh Eng San
Senior Vice President
Tel: (65) 6590 6881

Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Offeror nor UOBKH undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SCHEDULE 1

DETAILS OF HOLDINGS AND DEALINGS IN RELEVANT SECURITIES

1. Holdings of Relevant Securities by the Relevant Persons

The holdings of Shares by the Relevant Persons as at the date of this Announcement are set out below.

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares ⁽¹⁾	% ⁽²⁾	No. of Shares ⁽¹⁾	% ⁽²⁾	No. of Shares ⁽¹⁾	% ⁽²⁾
Offeror	41,067,118	43.77	-	-	41,067,118	43.77

Notes:-

- (1) Including the Sale Shares which the Offeror acquired pursuant to the Acquisition.
- (2) Based on 93,831,492 Shares (excluding treasury shares) in issue as at the Offer Announcement Date.

2. Dealings in Relevant Securities by the Relevant Persons

The dealings in the Relevant Securities by the Relevant Persons during the Reference Period are set out below.

Name	Date	No. of Shares Acquired	No. of Shares Disposed	Transaction Price per Share (\$)
Offeror	5 May 2020	13,387,118 ⁽¹⁾	-	0.17

Note:

- (1) Being the Sale Shares which the Offeror acquired pursuant to the Acquisition.