

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

**PLACEMENT OF 18,700,000 NEW ORDINARY SHARES IN THE CAPITAL OF DARCO WATER
TECHNOLOGIES LIMITED AT S\$0.35 FOR EACH PLACEMENT SHARE**

1. INTRODUCTION

The board of directors ("**Directors**") of Darco Water Technologies Limited ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the Company has, on 12 January 2020, entered into a placement agreement ("**Agreement**") with 3 investors (collectively, the "**Placees**") pursuant to which the Placees have agreed to subscribe for, and the Company has agreed to issue and allot, an aggregate 18,700,000 new ordinary shares in the capital of the Company ("**Placement Shares**") at a placement price of S\$0.35 ("**Placement Price**") for each Placement Share ("**Placement**"). The aggregate consideration payable by the Placees for the Placement is S\$6,545,000.

The Company will be applying to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the dealing in, listing of and quotation for the Placement Shares on the SGX-ST Mainboard and will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST.

The Placement Shares will be issued by way of a private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289 of Singapore). As such, no prospectus or offer information statement will be issued by the Company in connection with the Placement.

2. PLACEMENT

2.1 Placement Price

The Placement Price of S\$0.35 per Placement Shares represents a premium of approximately 75% to the volume weighted average price ("**VWAP**") of S\$0.20 per ordinary share in the capital of the Company ("**Share**") for trades done on the Shares on the SGX-ST for the full market day on 8 January 2020, being the last full market day on which the Shares were traded prior to the date of the Agreement.

The Placement Price was agreed upon following arm's length negotiations between the Placees and the Company.

2.2 Placement Shares

The Placement Shares represent approximately 19.93% of the existing issued and paid-up share capital (excluding treasury Shares) of the Company as at the date of this announcement. Assuming the successful issuance and allotment of the Placement Shares, the Placement Shares will represent approximately 16.62% of the enlarged issued and paid-up share capital (excluding treasury Shares) of the Company following the completion of the Placement.

The Placement Shares will be allotted and issued pursuant to the general share issue mandate approved by shareholders of the Company ("**Shareholders**") by way of an ordinary resolution ("**General Mandate**") at the annual general meeting of the Company held on 25 April 2019 ("**2019 AGM**"). As at the date of the 2019 AGM, the Company had 93,831,492 Shares in issue and the Company does not hold treasury Shares.

As at the date of this announcement, the Company has not issued and allotted any new Shares under the General Mandate. Therefore, the maximum number of new Shares which may be issued other than on a pro-rata basis to existing Shareholders pursuant to the General Mandate is 18,766,298 new Shares. Accordingly, the proposed allotment and issue of the Placement Shares falls within the limit of the General Mandate.

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 the Placement Shares will not rank for any dividends, rights, allotments or other distributions, the record date for which falls on or before the completion date of the Placement ("**Completion Date**").

2.3 Conditions Precedent

Completion of the Placement shall be conditional upon satisfaction of the conditions on or before the Completion Date, *inter alia*, the approval being obtained from the SGX-ST for the listing of and quotation for the Placement Shares on the SGX-ST Mainboard and where such listing approval is subject to conditions, (1) such conditions being reasonably acceptable to the parties and (2) if such conditions are required to be fulfilled on or before completion, such conditions having been fulfilled on or before such date, and such listing approval remaining in full force and effect as of completion.

If any of the conditions is not satisfied on or before the expiry of two (2) calendar months from the date of the Agreement (or such later date as the parties may agree), the Agreement shall lapse, and no party shall have any claim whatsoever against any other party.

2.4 Completion

The Completion will take place on the date falling five (5) business days from the satisfaction of all the conditions, or such other date as the parties may agree in writing.

3. INFORMATION ON THE PLACEES

The details of the Placees, including the respective number of Placement Shares to be allotted and issued to the respective Placees, are as follows:

No.	Name of Placee	No. of Placement Shares	Percentage of shareholding of the enlarged issued share capital of the Company	Placement Consideration	Particulars of the Placee
1.	Yunnan Sidu Investment Company Co., Ltd.	14,900,000	13.24%	S\$5,215,000	<p>The company engages in the business of investing in private and public listed companies with growth potential, including those in environment industry. Its sole shareholder and legal representative of the company is Mr. Li Xin, an individual.</p> <p>Mr. Li is a high net-worth individual investor who invests in businesses in various industries.</p>
2.	Zheng Ping	2,000,000	1.78%	S\$700,000	<p>Mr. Zheng Ping is a high net-worth individual investor who is engaged in the business of providing maintenance and management services in the public and private sectors in the People's Republic of China.</p>
3.	Liu Yang	1,800,000	1.60%	S\$630,000	<p>Mr Liu Yang is a high net-worth individual investor who engages in the technology industry and also has investments in startups and listed companies.</p>

No placement agent has been appointed for the Placement, and the Placement is not underwritten.

The Placees are private investors who are subscribing for the Placement Shares for investment purposes. They were introduced to the Company by Qarah Consultancy Pte Ltd ("**Introducer**") and are making their investment in the Company based solely on their own assessment and evaluation of the Company (including its financials and prospects).

In consideration of the services provided by the Introducer to the Company as aforesaid, the Company has agreed to pay the Introducer a fee in the amount of approximately S\$229,075, representing three point five per cent (3.5%) of the gross proceeds raised pursuant to the Placement, which shall be fully settled and satisfied in cash to the Introducer.

The Placees are not related to the Group, and none of the Directors, the Company's controlling shareholders and/or their respective associates are connected with the Placees, and none of the

Company's directors or substantial shareholders have, to the best of the Company's knowledge, any connection (including business relationship) with any of the Placees and, in the case of Yunnan Sidu Investment Company Co., Ltd., its sole director and shareholder. Further, the Placees do not fall within the categories of persons as specified under Rule 812(1) of the Listing Manual of the SGX-ST.

The Placement will also not result in any transfer of controlling interest in the Company.

4. RATIONALE FOR THE PLACEMENT AND USE OF PROCEEDS

The estimated amount of proceeds from the Placement (net of estimated expenses of approximately S\$258,000 in connection with the Placement) will be approximately S\$6,287,000 ("**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)
For strategic investments, acquisitions, alliances, joint ventures and/or expansion of businesses	70	4,400,900
Working Capital	30	1,886,100

Pending the deployment of the Net Proceeds, the Net Proceeds may be deposited with banks and/or financial institutions and/or invested in short-term money market instruments and/or marketable securities, and/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 Company from time to time.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when such proceeds are materially disbursed and whether such use is in accordance with the stated use. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the Net Proceeds in its annual report(s).

5. DIRECTORS' CONFIRMATION

The Directors are of the opinion that after taking into consideration the Group's present bank facilities, the working capital available to the Group is sufficient to meet its present requirements.

The Directors are also of the opinion that the Net Proceeds will further strengthen and supplement the Group's financial position and capital base.

6. FINANCIAL EFFECTS OF THE PLACEMENT

- 6.1 The financial effects of the Placement are presented solely for illustrative purposes and are not intended to be indicative or reflective of the actual future financial situation of the Company and the Group after the completion of the Placement.

The financial effects of the Placement have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018. The financial effects are based on the following assumptions:

- (a) the financial effect on the consolidated net tangible asset ("NTA") per Share is computed based on the assumption that the Placement was completed, on 31 December 2018;
- (b) the financial effect on the earnings per Share ("EPS") is computed based on the assumption that the Placement was completed on 1 January 2019; and
- (c) the expenses incurred in connection with the Placement amount to approximately S\$258,000.

6.2 Share Capital

	Before the Placement	After the Placement
Issued and paid-up share capital (S\$)	76,766,000	83,053,000
Total number of issued Shares	93,831,492	112,531,492

6.3 NTA per Share

	Before the Placement	After the Placement
NTA (S\$)	48,486,000	54,773,000
NTA per Share (S\$)	0.52	0.49

6.4 EPS

	Before the Placement	After the Placement
Loss attributable to the Shareholders (S\$)	1,441,000	1,441,000
Weighted average number of Shares	86,071,899	104,771,899
Loss per Share (S\$ cents)	1.67	1.38

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement and save for their interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors or substantial Shareholders has any interest, direct or indirect, in the Placement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at Harvest @ Woodlands, 280 Woodlands Industrial Park E5, #09-36, Singapore 757322 for three (3) months from the date of this announcement.

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 Placement and the Group, 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 has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their Shares. The Placement is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders and investors should read this announcement and further announcements by the Company carefully, and where in doubt as to what action to take, consult their stock brokers, bank managers, solicitors or other professional advisers immediately.

By Order of the Board

Poh Kok Hong
Executive Director and CEO
13 January 2020