

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

PROPOSED PLACEMENT OF 5,000,000 NEW ORDINARY SHARES
IN THE CAPITAL OF THE COMPANY

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 26 January 2017, entered into a placement agreement (the “**Placement Agreement**”) with Stone Robert Alexander (“**Robert Stone**”) and Capital Boom Limited (“**Capital Boom**”) (each a “**Placee**”, and collectively, the “**Placees**”), pursuant to which the Company proposes to issue up to 5,000,000 new ordinary shares in the capital of the Company (the “**Placement Shares**”) 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 60% to the volume weighted average price of S\$0.3751 for each share of the Company (the “**Share**”) for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the full market day on 16 January 2017 (being the last trading day prior to the signing of the Placement Agreement).
- 1.3 Assuming the completion of the Proposed Placement, the 5,000,000 Placement Shares that are to be issued pursuant to the Proposed Placement represents approximately 9.56% of the existing issued share capital of the Company of 52,326,601 Shares (the “**Existing Share Capital**”) and 8.72% of the enlarged share capital of the Company of 57,326,601 Shares (the “**Enlarged Share Capital**”).
- 1.4 The offer of the Placement Shares from the Company to the Placees will be undertaken in accordance with Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. As such, it is not made in or accompanied by a prospectus 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 principal 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 Placees is S\$3,000,000 (the “**Placement Consideration**”). The estimated net proceeds from the Proposed Placement is S\$2,966,000, after deducting estimated fees and expenses) of approximately S\$34,000 (“**Net Proceeds**”). The Company intends to utilise the Net Proceeds in the following proportion:

Use of Net Proceeds	Proportion of Net Proceeds (%)	Approximate Amount (\$ million)
Funding new projects or investments when opportunities arises	70	2,076,200
Working Capital	30	889,800

- 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 PLACEES

- 3.1 The Placement Shares subscribed by each Placee is as follows:

Name of Placee	Number of Placement Shares subscribed for
Robert Stone	2,500,000
Capital Boom Limited	2,500,000

3.2 Robert Stone

As at the date of this announcement, Robert Stone is a substantial shareholder of the Company as he holds 6,270,000 Shares which represents approximately 11.98% of the Existing Share Capital.

Upon completion of the Proposed Placement, Robert Stone will acquire a controlling interest in the Company as he will hold an aggregate of 8,770,000 Shares, and approximately 15.30% of the Enlarged Share Capital. Please refer to Section 4.1 of this announcement for more details on the issuance of Placement Shares to Robert Stone.

3.3 Capital Boom

Capital Boom Limited is an investment holding company registered in the Republic of Seychelles with its principal business in investment holding. Petra Tan Lienhart is the beneficial owner of Capital Boom, an independent third party. As such, Capital Boom has no connection with (including business relationships) with the Company, its Directors and substantial shareholders, and are not persons to whom the Company is prohibited from issuing shares to, as provided by Rule 812 of the Mainboard Rules of the SGX-ST Listing Manual (the "**Listing Rules**").

Capital Boom approached the Company with the intention of introducing business project opportunities. The Company proposed Capital Boom to consider subscribing for Placement Shares in the capital of the Company. As at the date of this announcement, Capital Boom does not hold any Shares in the Company. Upon completion of the Proposed Placement, Capital Boom will hold an aggregate of 2,500,000 Shares, approximately 4.36% of the Enlarged Share Capital.

As at the date of this announcement, the 2,500,000 Placement Shares that may be issued to Capital Boom pursuant to the Proposed Placement represents approximately 4.78% of the Existing Share Capital and 4.36% of the Enlarged Share Capital. In the event that the Placement Shares are only placed to Capital Boom and not Robert Stone, the 2,500,000 Placement Shares that may be issued to Capital Boom represents approximately 4.56% of the Enlarged Share Capital.

- 3.4 Each Placee's subscription of the Placement Shares is for investment purposes only, and each Placee has no intention of influencing the management of, or exercising control over, the Company. Save for Robert Stone, none of the Placees intends to acquire additional shares in the Company such that their shareholding in the Company shall reach 15 per cent or more of the enlarged issued and paid-up share capital of the Company.

4 AUTHORITY TO ISSUE THE PLACEMENT SHARES

4.1 Issuance of Placement Shares to Robert Stone

4.1.1 Rule 803 of the Mainboard Rules

Pursuant to Rule 803 of the Mainboard Rules of the SGX-ST Listing Manual (the "**Listing Rules**"), an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting.

Upon completion of the Proposed Placement, Robert Stone will acquire a controlling interest in the Company as he will hold an aggregate of 8,770,000 Shares, and approximately 15.30% of the Enlarged Share Capital. As such, the Company will be seeking approval from the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting to be convened (the "**EGM**") for the proposed placement of Placement Shares to Robert Stone (the "**Robert Stone Placement**") pursuant to Rule 803 of the Listing Rules.

4.1.2 Rule 812 of the Mainboard Rules

Pursuant to Rules 812 of the Listing Rules, an issue must not be placed to (i) an issuer's substantial shareholders, or (ii) substantial shareholders, related companies (as defined in Section 6 of the Companies Act, Chapter 50 of Singapore), associated companies and sister companies of the issuer's substantial shareholders, unless specific shareholders' approval for such a placement has been obtained.

As Robert Stone is a substantial shareholder of the Company, the Company will be seeking the approval from the Shareholders for the Robert Stone Placement at the EGM pursuant to Rule 812 of the Listing Rules.

4.2 Issuance of Placement Shares to Capital Boom

The Placement Shares to be issued to Capital Boom will be issued pursuant to the share issue mandate ("**Share Issue Mandate**") which was approved by Shareholders of the Company at the annual general meeting of the Company convened on 20 April 2016 ("**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, "**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% of the total number of issued Shares (excluding treasury shares) 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% of the total number of issued Shares (excluding treasury shares) as at the date of the AGM.

As at the date of the AGM, the Company had an issued share capital of 52,326,601 Shares. As at the date of this announcement, no Shares had been issued pursuant to the Share Issue Mandate. Accordingly, 26,163,300 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 10,465,320 Shares. Therefore, the 2,500,000 Placement Shares that may be issued to Capital Boom 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 Placees have agreed to subscribe and pay for an aggregate of 5,000,000 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 (“**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

5.2.1 Robert Stone Placement

Completion of the Robert Stone Placement shall be conditional upon the following:

- (a) Robert Stone 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 for the listing of the Placement Shares and the approval of the Shareholders at the EGM (the “**Shareholders’ Approval**”) having been obtained (on terms and conditions acceptable to the Company and Robert Stone, 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 Robert Stone 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 Robert Stone 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 “**RS Conditions Precedent**”)

If any of the RS Conditions Precedent is not satisfied or waived in whole or in part by the Company on or before the date falling 120 calendar days after 26 January 2017 or such other date as the Company and Robert Stone may agree, the Company and Robert Stone 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.

5.2.2 Proposed placement to Capital Boom (the “Capital Boom Placement”)

Completion of the Capital Boom Placement shall be conditional upon the following:

- (a) Capital Boom 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 Capital Boom, 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 Capital Boom 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 Capital Boom (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 Capital Boom 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 “**CB Conditions Precedent**”)

If any of the CB 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 26 January 2017 or such other date as the Company and Capital Boom may agree, the Company and Capital Boom 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**

5.3.1 Robert Stone Placement

Completion of the Robert Stone Placement shall take place three business days after the date the last of the RS 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 Robert Stone may agree in writing.

5.3.2 Capital Boom Placement

Completion of the Capital Boom Placement shall take place three business days after the date the last of the CB 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 Capital Boom may agree in writing.

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 2015;
- (b) the effect of the Proposed Placement on the NTA per Share is computed based on the issued share capital of 33,202,147 Shares prior to the Proposed Placement and the assumption that the Proposed Placement was completed on 31 December 2015; and
- (c) the effect of the Proposed Placement on the EPS is computed based on the weighted average number of 33,202,147 Shares prior to the Proposed Placement and 38,202,147 Shares after completion of the Proposed Placement, on the assumption that the Proposed Placement was completed on 1 January 2015.

	Before Completion of the Proposed Placement	After Completion of the Proposed Placement
Issued and paid-up share capital (S\$)	44,980,000	47,946,000
Number of Shares	33,202,147	38,202,147
NTA per Share (cents)	50.76	51.88
Weighted average number of Shares	30,947,305	35,947,305
EPS (cents)	0.52	0.44

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	13.67	12.48
Heather Tan Chern Ling	8,160	-	8,160	0.02	0.01
Wang Yaoyu	-	13,387,118 ⁽¹⁾	13,387,118	25.58	23.35

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		
Tay Lee Chye Lester	-	-	-	-	-
Tay Von Kian	-	-	-	-	-
Oh Chee Sien	-	-	-	-	-
Substantial Shareholders (other than Directors)					
Robert Alexander Stone	6,270,000	-	6,270,000	11.98	15.30
Wuhan Liankai Investment Co., Ltd.	10,900,939	2,486,179 ⁽²⁾	13,387,118	25.58	23.35
Wah Lee Industrial Corp.	4,589,869	-	4,589,869	8.77	8.01

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.
- (2) Wuhan Liankai Investment Co., Ltd was nominated by Mr. Zhang Zhengda to be the recipient and holder of 2,486,179 shares.

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
26 January 2017