

Darco Proposes Acquisition Of 60% Interest In Wuhan Kaidi Water Services

- The Target is a water treatment and management specialist in the People's Republic of China
- Acquisition will enable Darco to remain competitive in the PRC market leveraging on licenses and permits held by the Target to bid for projects
- Expanding into the PRC market is the key aggressive growth strategy for Darco because the PRC's growth potential is significantly higher than that of its main businesses in Southeast Asia
- Purchase consideration to be satisfied wholly via issuance of new shares without any cash outlay from the Company

Singapore – 11 August 2015 – Mainboard-listed Darco Water Technologies Limited (the "Company" or "Darco" or the "Group") is pleased to announce that the Company has on 11 August 2015 entered into a conditional sale and purchase agreement ("SPA") with Wuhan Liankai Investment Co., Ltd. (武汉联凯投资有限公司) ("WHLK"), Hong Kong Meidi Investments Holdings Co., Ltd. (香港美地投资(控股)有限公司) ("HKMI") and Mr. Zhang Zhengda ("ZZD") as the vendors (collectively, the "Vendors") in respect of the proposed acquisition by the Company of 60% of the total equity interest ("60% Equity Interest") in the registered capital of Wuhan Kaidi Water Services Co., Ltd. (武汉凯迪水务有限公司) (the "Target") on the terms of the SPA ("Proposed Acquisition").

The consideration for the purchase of the 60% Equity Interest shall be S\$10,900,939 (the "Consideration"), satisfied by the allotment and issue by the Company to each Vendor (or its nominee(s)) of 382,489,084 new shares in the share capital of the Company ("Consideration Shares").

The Target is a water treatment and management specialist in the People's Republic of China ("PRC"). Its business involves the provision of comprehensive and integrated engineering solutions for water purification, water supply and wastewater treatment systems. These solutions include the designing, procurement, installation, commissioning and management of water purification, water supply and wastewater treatment systems and facilities. The Target has 22 years of track record of supplying water and waste treatment systems and has carried out over 600 projects to-date. The Target presently has 22 ongoing projects in the PRC covering 14 provinces in the PRC. This includes the construction of a seawater desalination system for a 2*1000MW ultra-supercritical coal-fired power generating plant for China Resources Power Holdings Co., Ltd (Haifeng branch). The total contractual value of the PRC projects amount to approximately RMB487.54 million. Apart from projects in the PRC, the Target also has seven (7) ongoing overseas projects in countries such as Indonesia, Vietnam, Turkey and India. The total contractual value of these overseas projects amount to approximately RMB65.35 million.

The rationale for the Proposed Acquisition is to enable Darco to remain competitive in the PRC market. Darco's competitive edge in the market lies with the strengths of its management and its technology. Considering the changes in the competitive landscape of the PRC market, Darco has engaged in the Proposed Acquisition to be more localised to compete effectively in the PRC relying on the Target's permits and licenses needed to bid for projects.

The success of the Proposed Acquisition is dependent on the integration of the Target into Darco Group and both companies will work closely together towards achieving this. The Group expects the process of post merger integration to be seamless, considering that both companies share similar corporate cultures and complementary technical capabilities and are amongst the leading companies in their respective fields. More importantly,

both parties will be able to leverage on each other's strengths, following the completion of the post-merger integration process. Darco's strength lies with its service capabilities, having approximately 350 technicians and engineers fully engaged in helping customers operating and running systems round the clock. On the other hand, Wuhan Kaidi has traditionally adopted a strategy of outsourcing the manufacturing and assembly of water systems, which allowed it to keep its internal workforce lean and overheads low so as to be competitive on pricing.

Commenting on the Proposed Acquisition, Mr. Thye Kim Meng, CEO of the Group, said, ***"The Proposed Acquisition of Wuhan Kaidi Services forms part of the Group's strategy to remain competitive in the high-growth PRC market by acquiring a local company with the relevant licenses and permits and diversify our geographic footprint to benefit from the tremendous growth opportunities in the PRC. This transaction will also allow us to capitalise on the synergies between both companies to enhance our capabilities in water and wastewater systems to leverage on a wider net of business opportunities. We will work towards the successful completion of the acquisition and the subsequent integration of Wuhan Kaidi into the Darco Group. Looking ahead, we remain committed to enhancing shareholder value in the mid-to-long term via both organic and inorganic strategies."***

The Proposed Acquisition is subject to, inter alia, the approval of the shareholders of the Company ("Shareholders") at an extraordinary general meeting of the Company to be convened ("EGM") in accordance with Chapters 8 and 10 of the Listing Manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST").

About Darco Water Technologies Limited

Established in 1999 and listed on SGX in 2002, Darco Water Technologies designs and delivers engineered solutions for water and wastewater systems for industrial and municipal customers. Its core management team has more than 18 years of experience in water treatment for a wide range of industries. Its markets include Taiwan, Mainland China and Southeast Asia.

For more information, please refer to www.darcowater.com

**Issued for and on behalf of Darco Water Technologies Limited
by Financial PR Pte Ltd**

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