

Darco Proposes Investment in Domestic Waste Water Treatment Project in Hebei

- The total consideration of the proposed investment is RMB60.0 million
- Mr. Wang Zhi, the strategic investor will transfer its 100% equity interest in the Project to the Group
- The Company views that this proposed investment will improve the Group's earning profile with recurring income stream
- The proposed transaction, being an interested person transaction, is subject to shareholders' approval

Singapore – 5 November 2018 – Mainboard-listed Darco Water Technologies Limited (the "Company" or "Darco" or the "Group") is pleased to announce that it has signed a non-binding Letter of Intent with Mr. Wang Zhi⁽¹⁾, or largely known as Robert Wang in respect of a proposed investment in a Build-Operate-Transfer("BOT") Gaoyi Domestic Waste Water Treatment Project (the "Project"), which holds a 30-year concession on a Waste Water Treatment Plant, details of which are set out below (the "Plant").

Mr. Wang Zhi will transfer 100% of his equity interest in the Project to the Group, which he held through He Bei Kai Yuan Cheng He Water Engineering Co., Ltd. ("HKC", "河北凯源合水务有限公司"), a PRC company where he was the controlling shareholder, in satisfaction of his obligation, pursuant to his deed of undertaking dated 23 November 2017, to transfer the Group a BOT water treatment asset within 24 months upon the completion of our Company's share placement to him.

Based on the Company's knowledge, which is subject to verification and due diligence:

1. Wang Zhi acquired the Project through HKC on 12 May 2017, when

(1) Mr Wang Zhi currently is the Non-executive deputy chairman of the Company, who hold 29.5% equity interest in the Company.

HKC signed a co-operation agreement with Wo De Si Yuan Group Co. Limited, (“WDSY”, “沃德思源集团有限公司”), a PRC company that had successfully won the Project in an open tender from the Gaoyi County Government back in December 2016. The special purpose vehicle for the Project was incorporated on 11th July 2017, under the name of HuiZe (Gaoyi) Sewage Treatment Co., Ltd (“Project Company”, “HuiZe”).

2. The Plant is located in Hebei Province, Shijiazhuang Capital, Gaoyi County, covering an area of 45 acres. It mainly involves the Anaerobic/Anoxic/Oxic treatment process to treat wastewater for residential and non-residential sources.

3. Currently, HuiZe is working on the Plant’s upgrading process and refurbishment, with the objective of handling larger capacities as well as increasingly complex wastewaters from industrial effluent, in addition to the existing domestic sewage the Plant now treats. This exercise is expected to be completed by December 2018. The wastewater treatment capacity of Phase I is 20,000 ton/day with a concessionary period of 30 years and its capacity will further increase to 40,000 ton/day in 2028 upon completion of the Phase 2 construction.

The total consideration for the proposed investment for 100% equity interest in the Project is RMB60.0 million which will be funded by a combination of the Group’s internal resources and debt financing.

The Company and Wang Zhi will now negotiate the detailed terms and enter into a legally binding document for the proposed investment.

The proposed investment is an “interested person transaction” under Chapter 9 of the SGX Listing Rules and will be subject to shareholders’ approval. The Company will convene a shareholders’ meeting and issue a circular to shareholders for this purpose in due course.

Completion of the proposed investment will be subject to the satisfaction of conditions precedents including satisfactory due diligence findings by our Group.

Further announcement(s) will be issued by the Company to update shareholders, in the event that there are any material developments in connection with the proposed investment.

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Mr. Thye Kim Meng, CEO of the Group, said, “**This proposed investment will strengthen the earnings profile of the Group where the Group can generate recurring income stream from the BOT waste water treatment asset. Looking ahead, we will strive to look for more opportunities in China especially for BOT or BOO water treatment projects to further strengthen our foothold in China’s water industry and improve our profitability.**”

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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 19 years of experience in water treatment for a wide range of industries. Its markets include Mainland China and Southeast Asia.

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

**Issued for and on behalf of Darco Water Technologies Limited
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