

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

**PROPOSED ACQUISITION OF 75% OF THE TOTAL ISSUED AND PAID-UP
SHARE CAPITAL OF PT PANGHEGAR ENERGY INDONESIA**

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Darco Water Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement on 25 October 2019. The Board is pleased to announce that the Company has on 4 November 2019 entered into a conditional sale and purchase agreement (the “**CSPA**”) with Emsus Co. Ltd. (the “**Seller**”) in respect of the proposed acquisition by the Company of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia (the “**Target**”) (being 6,000 issued and paid-up ordinary shares in the capital of the Target (the “**Sale Shares**”)) on the terms and subject to the conditions of the CSPA (the “**Proposed Acquisition**”).

In this announcement, unless otherwise stated, the exchange rate applied by the Group for conversions of US\$ into S\$ is US\$0.7348 : S\$1.0000, and the exchange rate applied by the Group for conversions of Rp into S\$ is Rp 10,329.7000 : S\$1.0000.

2. INFORMATION ON THE PROPOSED ACQUISITION

*The information on the Target, PT Jabar Bersih Lestari (“**JBL**”) and the Seller was provided by the Seller and/or extracted from publicly available sources. In respect of such information, the Company and the Directors have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.*

*The Target and JBL collectively shall be referred to as the “**Target Group**”.*

2.1 Information on the Target

The Target

The Target is an Indonesia-incorporated company which, as of the date of this announcement, is the owner of 40,000 ordinary shares (representing in aggregate 80% of the total issued and paid-up share capital) of JBL. Apart from the business of JBL, the Target has no other business activities.

As of the date of this announcement, the Target has an issued and paid-up capital of 8,000 ordinary shares, of which the Seller holds 6,800 ordinary shares, comprising 85% of the total issued and paid-up capital of the Target. The remaining shareholders of the Target are two individual shareholders who are unrelated to the Company, its directors and its substantial shareholders. The directors of the Target are Do Yun Yu, Joko Sucahyono, and Byung Sun Lee.

There is no connection (including business relationship) between the Target, its directors and its substantial shareholders, with the Company, its directors and its substantial shareholders.

JBL

JBL is an Indonesia-incorporated company that specialises in the operation of waste management facilities. JBL has entered into a cooperation agreement (the “**Cooperation Agreement**”) with the West Java Province Regional Government of Indonesia to provide waste management services in Bogor City, Bogor Regency and Depok City in Indonesia (the “**Project**”). As far as the Company has been made aware, the Project is at a preliminary stage and only preliminary land clearance and leveling have been completed.

Based on the combined unaudited group accounts of the Target Group as at 30 June 2019, the book value and the net tangible asset (“**NTA**”) value for the Target Group was approximately IDR21,071,552 (or equivalent to approximately S\$2,000) and the net profit of the Target Group for the half year ended 30 June 2019 was IDR1,995,378 (or equivalent to approximately S\$193). As at 30 June 2019, the book value and NTA value of the Sale Shares was IDR15,803,664 (or equivalent to approximately S\$1,500).

The open market value of the Sale Shares is not available as the shares of the Target are not publicly traded.

2.2 Information on the Seller

The Seller is a South Korean-incorporated consultancy company. The sole director of the Seller is Do Yun Yu. As of the date of this announcement, the Seller has an issued and paid-up capital of 10,000 ordinary shares, of which Do Yun Yu holds 10,000 ordinary shares, comprising 100% of the total issued and paid-up capital of the Seller.

The Seller currently holds 85% of the total issued and paid-up share capital of the Target. There is no relationship between the Seller and the Target other than through the Seller’s shareholding interests in the Target and Do Yun Yu, who is the sole director and shareholder of the Seller, and a director of the Target.

There is no connection (including business relationship) between the Seller, its directors and its substantial shareholders, with the Company, its directors and its substantial shareholders.

2.3 Rationale for and benefits of the Proposed Acquisition

The Board is of the view that the Proposed Acquisition will be beneficial to and is in the best interests of the Company and its shareholders (the “**Shareholders**”) as the Proposed Acquisition will provide the Company with an additional recurring revenue stream in the long term. The business of the Target Group is also within the waste management sector which forms part of the ordinary business of the Group.

Accordingly, the Directors are of the view that the Proposed Acquisition is in the best interests of the Company.

2.4 Principal terms of the CSPA

2.4.1 Consideration

- (a) The aggregate consideration for the purchase of the Sale Shares shall be US\$1,500,000 (or equivalent to approximately S\$2,041,000) (the “**Consideration**”) and shall be payable in accordance with sub-paragraph (b) below. The Consideration was determined pursuant to commercial negotiations between the Company and the Seller in good faith, on an arm’s length basis and on a willing-buyer, willing-seller basis, taking into account the capital paid in and costs incurred by the existing shareholders in establishing the Target Group, as well as the value in securing the right to acquire the concessions held by the Target Group.
- (b) The Consideration shall be fully paid (via a total of four instalments) in the following manner:
- i. the initial instalment of US\$300,000: as disclosed in the Company’s announcement on 25 October 2019, the Company had remitted a sum of US\$300,000 (or equivalent to approximately S\$408,000) to the Target (the “**Advance Payment**”), with the Advance Payment being regarded as the first instalment of the Consideration;
 - ii. the next instalment of US\$400,000: the Company shall (as agreed by the Seller) place the next instalment of US\$400,000 (or equivalent to approximately S\$544,000) in escrow with an escrow agent, Dharma Legal, (the “**Escrow Agent**”) on the date of the CSPA (the “**First Payment**”). The Escrow Agent shall release the First Payment to Yunnan Water (Hong Kong) Company Limited on Closing (as defined below) when the Company has notified the Escrow Agent that it is satisfied that the full and effective legal and beneficial ownership of the Sale Shares have been transferred in all respects under applicable law for the time being, and the Company and/or its nominee(s) are the legal and beneficial owner(s) and registered holder(s) of the Sale Shares;
 - iii. the next instalment of US\$600,000: on Closing and simultaneously with the release of the First Payment, the Company shall (as agreed by the Seller) pay US\$600,000 (or equivalent to approximately S\$817,000) into the account of the Target (the “**Second Payment**”). The Second Payment shall be treated as a shareholders’ loan from the Seller to the Target and the Target shall be responsible for disbursing the amounts under the Second Payment to JBL to (A) settle and/or repay any debts and liabilities (including contingent debts and liabilities) of JBL (as well as any of its subsidiaries, if any); and (B) as use for general working capital purposes of the Target and/or JBL; and
 - iv. the final instalment of US\$200,000: subject to the Condition Subsequent stated in paragraph 2.4.4(a), the Company shall (as agreed by the Seller) pay US\$200,000 (or equivalent to approximately S\$272,000) into the account of the Target (the “**Final Payment**”). The Final Payment shall also be treated as a shareholders’ loan from the Seller to the Target and the Target shall be responsible for disbursing the amounts under the Second Payment to JBL to (A) settle and/or repay any debts and liabilities (including contingent debts and liabilities) of JBL (as well as any of

its subsidiaries, if any); and (B) as use for general working capital purposes of the Target and/or JBL,

The Consideration, which is to be entirely satisfied in cash, will be funded by internal resources of the Company.

2.4.2 Conditions Precedent

Closing of the sale and purchase of the Sale Shares under the CSPA ("**Closing**") is conditional upon the following conditions, amongst others, having been fulfilled or waived:

- (a) the warranties of the Seller and the Company contained in the CSPA being true in all material respects on and as of the date of the CSPA and having the same force and effect as though made on and as of the Closing Date (as defined below);
- (b) delivery to the Company of all documents as may be required to give good title to the Sale Shares and to enable to Company to become the registered holder of the Sale Shares;
- (c) delivery to the Company of the documents, consents, approvals, authorisations and notices as specified in the CSPA;
- (d) the approval of the Board, and if required, the requisite approval of the Shareholders, of the Company as well as the requisite approval of any regulatory bodies (including without limit the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the transactions contemplated in the CSPA upon the terms and conditions set out in the CSPA; and
- (e) there being no (a) material adverse change or events, acts or omissions likely to lead to such change in the assets, prospects, performance, financial position or results of operations of the Target and/or JBL (as determined by the Company in its sole discretion) ("**Material Adverse Change**") occurring on or before the Closing Date; and (b) event, condition or circumstance in existence as at the Completion Date that is likely to result in a Material Adverse Change,

(collectively, the "**Conditions Precedent**").

2.4.3 Closing

Subject to the fulfillment of the Conditions Precedent, the Closing shall take place ten (10) business days from the date the Conditions Precedent have been fulfilled or waived (as the case may be) or ten (10) business days of the date of the CSPA (whichever is earlier), and/or such other date as may be agreed in writing between the Company and the Seller (the "**Closing Date**").

2.4.4 Conditions Subsequent

The obligations of the Company and the Seller after Closing include but are not limited to the following:

- (a) the Company shall pay the Final Payment in accordance with paragraph 2.4.1(b)(iii) subject to the satisfaction of the Company's business, environmental, financial, tax and legal due diligence (in the Company's sole discretion) on the Target and JBL, the results of which are satisfactory to the Company in its sole discretion. Such due diligence shall include but is not limited to the relevant concessions and/or EPC arrangements of the Target and/or JBL being to the satisfaction of the Company (in the Company's sole discretion). The Company shall inform the Seller whether the results of its due diligence are satisfactory no later than four (4) months from Closing or such period as may be extended at the option of the Company;
- (b) the Company shall, no later than four (4) months from Closing, enter into a loan agreement to grant a loan to the other shareholders of the Target on terms and conditions to be agreed upon by the Purchaser and the other shareholders of the Target. For this purpose, the Seller undertakes to the Company that each of the Seller and the other shareholders of the Target (other than the Company) will pledge it/his shares in the Target in order to secure such shareholders' obligations in relation to the loan provided by the Company;
- (c) the Seller shall make necessary amendments to the Cooperation Agreement with regard to provisions relating to, *inter alia*, liabilities and performance for facilities constructed by the West Java Provincial Government to be operated by JBL, including exemption conditions of environmental requirements during the operation period. Such amendments shall be made to the reasonable satisfaction of the Company;
- (d) the Seller shall deliver to the Company any other documents or other evidence to satisfy the Company's business, environmental, financial, tax and legal due diligence (as required by the Company in the Company's sole discretion) on the Target and JBL, the results of which are satisfactory to the Company in its sole discretion; and
- (e) the Seller shall deliver to the Company all documents or other evidence to satisfy the Company's financial and tax due diligence issues (as required by the Company in the Company's sole discretion) in relation to the business and operations of the Target and JBL,

(collectively, the "**Conditions Subsequent**").

2.4.5 Reversal Option

- (a) Pursuant to the CSPA, the Seller shall grant to the Company an option to reverse and unwind the sale and purchase of the Sale Shares (the "**Reversal Option**") pursuant to which the Seller shall, upon exercise of the Reversal Option by the Company, purchase from the Company or its nominee, as the case may be, all of the Sale Shares on the terms and subject to the conditions of the CSPA.
- (b) The Reversal Option may be exercised if the Conditions Subsequent are not satisfied by their stipulated deadlines.
- (c) The Reversal Option shall be valid for a period of one (1) month from the date all of the Conditions Subsequent are satisfied, failing which the Reversal Option shall lapse and be of no further effect whatsoever.

- (d) The consideration for the re-purchase of the Sale Shares shall be payable in the following manner:
- i. the Seller shall pay, or shall procure that payment is made, to the Company an amount equal to the Advance Payment and the First Payment; and
 - ii. the Target shall pay, and the Seller shall procure that payment is made, to the Purchaser an amount equal to the Second Payment and, if the Final Payment has been made, an amount equal to the Final Payment.

3. RELATIVE FIGURES UNDER RULE 1006

Based on the latest announced consolidated financial statements of the Group for the half year ended 30 June 2019 (“1H2019”), the relative figures of the Proposed Acquisition as computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST are as follows:

Rule 1006 Bases of calculation	Relative figure %
(a) The net asset value of the assets to be disposed of, as compared with the Group’s net asset value	Not applicable ⁽¹⁾
(b) The net profits attributable to the assets acquired, compared with the Group’s net losses	(0.07) ⁽²⁾
(c) The aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	10.31 ⁽³⁾
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable ⁽⁵⁾

Notes:

(1) Rule 1006(a) is not applicable to an acquisition of assets.

(2) Based on the combined unaudited net profit attributable to the Sale Shares for the half year ended 30 June 2019 of approximately IDR1,995,378 (or equivalent to approximately S\$193) and the Group’s unaudited net loss for 1H2019 of approximately S\$281,000. Net profit/loss is defined to be profit or loss before income tax, minority interests and extraordinary items.

- (3) The value of the Consideration is US\$1,500,000 (or equivalent to approximately S\$2,041,000, compared to the Company's market capitalisation of approximately S\$19,798,000. The market capitalisation of the Company was computed based on its existing share capital of 93,831,492 shares in the capital of the Company (excluding treasury shares) (the "Shares") and the volume weighted average price of S\$0.211 per Share on 30 October 2019 (being the last market day on which the Shares were traded preceding the date of the CSPA).
- (4) Rule 1006(d) is not applicable as the Company is not issuing equity securities as consideration for the Proposed Acquisition.
- (5) Rule 1006(e) is not applicable as the Company is not a mineral, oil and gas company.

Based on the above figures, the relative figure under Rule 1006(b) of the Listing Manual will be approximately negative 0.07%. Such relative figure was due to the Group's unaudited loss before tax for 1H2019 (amounting to S\$281,000) and the Target's unaudited profits before tax of IDR1,995,378 (or equivalent to approximately S\$193) for 1H2019. The Company notes that Practice Note 10.1 of the Listing Manual of the SGX-ST provides, *inter alia*, that "the profit test does not apply to an acquisition of profitable assets as shareholders are not expected in normal circumstances to be concerned if the assets to be acquired are profit contributors". This transaction is therefore announceable but not subject to shareholders' approval.

Under Chapter 10 of the Listing Manual of the SGX-ST, where any relative figure computed on the bases set out in Rule 1006 exceeds 5% but does not exceed 20%, the transaction shall constitute a "discloseable transaction" for the purposes of Chapter 10 of the Listing Manual of the SGX-ST. Based on the relevant figures computed under Rule 1006 of the Listing Manual of the SGX-ST, as the relative figures under Rules 1006(b) and 1006(c) exceed 5% but do not exceed 20%, the Proposed Acquisition therefore constitutes a "discloseable transaction" under the provisions of Rule 1006 of the Listing Manual of the SGX-ST.

4. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

4.1 Bases and assumptions

The following are presented purely for illustrative purposes only and are neither indicative nor do they represent the actual future financial situation or any projection of the financial performance or position of the Group following Completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition on the Company as set out below are based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2018 ("FY2018"), as well as the following bases and key assumptions:

- (a) the financial effects of the Proposed Acquisition on the Group's NTA per Share are computed based on the assumption that the Proposed Acquisition was completed on 31 December 2018;
- (b) the financial effects of the Proposed Acquisition on the Group's earnings per Share ("EPS") are computed based on the assumption that the Proposed Acquisition was completed on 1 January 2018;
- (c) the expenses in connection with the Proposed Acquisition are disregarded for the purpose of calculating the financial effects;

- (d) the analysis assumes that the Consideration is paid in full; and
- (e) save as set out above, there have not been any adjustments for the impact of any other transactions or events other than the Proposed Acquisition.

4.2 NTA per Share

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	48,486	46,446
Number of Shares	93,831,492	93,831,492
NTA per Share (S\$ cents)	51.67	49.50

4.3 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Group profit/(loss) after tax (S\$'000)	(1,441)	(1,570)
Weighted average number of Shares (excluding treasury shares)	86,071,899	86,071,899
EPS (S\$ cents)	(1.67)	(1.83)

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling Shareholders of the Company and their respective associates has any interests, direct or indirect, in the Proposed Acquisition, other than through their respective shareholding interests in the Company, if any.

6. SERVICE CONTRACTS

No person is proposed to be appointed to the Board in connection with the Proposed Acquisition, and no director's service contract in relation to the Company is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the CSPA will be made available for inspection during normal business hours at the registered office of the Company at Harvest @ Woodlands, 280 Woodlands Industrial Park E5, #09-36 Singapore 757322 for a period of three (3) months from the date of this announcement.

8. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Acquisition as and when there are material developments.

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement (save for the information on the Target Group and the Seller in paragraphs 2.1 and 2.2 of 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 Acquisition and 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 (save that in respect of the information on the Target Group and the Seller in paragraphs 2.1 and 2.2 of this announcement, such information is given based on information available to the Company as at the date of this announcement and is subject to further due diligence investigation and verification). 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. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their Shares as there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition 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 on the Proposed Acquisition. Shareholders are advised to read this announcement and any further announcements by the Company carefully, and should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

4 November 2019