

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

**FURTHER UPDATE
ON THE ACQUISITION OF THE TOTAL ISSUED AND PAID-UP
SHARE CAPITAL OF PT PANGHEGAR ENERGY INDONESIA**

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of Darco Water Technologies Limited (the “**Company**” and together with its subsidiaries, collectively, the “**Group**”) refers to:

- (a) the Company’s announcement on the proposed acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia (“**PEI**”) (the “**Acquisition**”) released on the SGXNET on 4 November 2019 (the “**4 November Announcement**”);
- (b) the Company’s announcement on the constitution of PEI as a 75% subsidiary of the Company released on the SGXNET on 28 February 2020; and
- (c) the Company’s announcement on 29 May 2020 regarding the update on the Acquisition (the “**Update Announcement**”).

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to them in the 4 November Announcement and the Update Announcement.

2. UPDATE ON THE ACQUISITION

As disclosed in the Update Announcement, the Company had previously received the due diligence report from an independent third party consultancy firm (the “**Consultant**”) in relation to technical and economics due diligence performed by the Consultant on matters relating to, inter alia, the cooperation agreement (the “**Cooperation Agreement**”) entered into by PT Jabar Bersih Lestari (“**JBL**”) (an 80% owned subsidiary of PEI) with the West Java Province Regional Government of Indonesia (the “**West Java Government**”) to provide waste management services in Bogor City, Bogor Regency and Depok City in Indonesia (the “**Project**”).

Pursuant to the findings of the Consultant as stated in its due diligence report, the Consultant had recommended that, inter alia, certain terms of the Cooperation Agreement should be re-negotiated with the West Java Government in order to render the Project viable. As noted in the Update Announcement and for the purpose of rendering the Project viable, the Company has initiated preliminary discussions with the relevant parties involved with a view towards reaching an agreement on the required amendments to the Cooperation Agreement.

The Board wishes to note that the Company remains interested in the Project given that it is within the waste management sector which forms part of the ordinary business of the Group and taking into account the fact that the counterparty/owner of the Project is the West Java Government. The Management has been directed to work closely with the relevant parties including the West Java Government to implement the recommendations of the Consultant.

In this regard, the Board would like to further update Shareholders as follows:

- (i) JBL has made formal submission to the West Java Government which, among others, explain the findings of the Consultant and request for the re-negotiation of and modifications to the relevant terms of the Cooperation Agreement as recommended by the Consultant; and
- (ii) other than a follow-up call received from the representative of the West Java Government which sought certain clarification on JBL's above-mentioned submission, JBL is awaiting for a response from the West Java Government to its request for the re-negotiation to render the Project viable.

Shareholders and potential investors are advised to refer to the 4 November Announcement for more information on the terms and conditions of the Acquisition.

Shareholders and potential investors should note that there is no assurance that the West Java Government would accede to JBL's request for a re-negotiation of the Cooperation Agreement or that, with the re-negotiation, JBL would be able to reach an agreement with the West Java Government on the modifications to the terms of the Cooperation Agreement that would render the Project viable or accretive in terms of earnings from the perspective of the Company. It should also be noted that under the existing terms of the Cooperation Agreement, JBL is required to commence operations by 12 June 2020, failing which liquidated damages determined to be approximately US\$46,000 per day of delay (up to 180 days) is potentially chargeable to JBL. In this regard, JBL intends to include as part of the aforesaid re-negotiation, a request for the extension of the aforesaid deadline. Should such extension be not agreed to by the West Java Government and significant amount of liquidated damages is claimed against JBL, the Company is expected to exercise the Reversal Option to reverse and unwind the Acquisition. Upon the completion of the exercise of the Reversal Option, PEI and JBL will cease to be subsidiaries of the Company and will be treated as discontinued business of the Company for accounting purposes, thereby eliminating the adverse impact of the liquidated damages claimed against JBL on the financial position of the Company. For the avoidance of doubt, any liquidated damages imposed are the obligations of JBL and the Company has not given any guarantee or indemnity to pay for such liquidated damages that are not paid by JBL, if and when due.

3. FURTHER ANNOUNCEMENTS AND CAUTION WHEN DEALING

The Company will make further announcements as and when there are material developments in relation to the above matter. Shareholders and potential investors are advised to exercise caution



when dealing in the securities of the Company and, when in doubt, are advised to consult with their own legal advisors, financial advisors, stockbrokers, bank managers and/or other professional advisors.

BY ORDER OF THE BOARD

Poh Kok Hong
Executive Director and Chief Executive Officer

8 June 2020