

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

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**RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UPDATE ANNOUNCEMENT ON THE ACQUISITION OF 75% OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF PT PANGHEGAR ENERGY INDONESIA**

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**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 the Company’s update announcement on the proposed acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia (the “**Target**”) released on the SGXNET on 8 June 2020 (the “**Update Announcement**”).

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

**2. RESPONSE TO SGX QUERY**

The Board would like to respond to the following query raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 9 June 2020 (the “**SGX Query**”) as follows:

**SGX Query (1):**

We refer to the announcement issued by the Company on 8 June 2020 entitled “Further update on the acquisition of the total issued and paid-up share capital of PT Panghegar Energy Indonesia” (the “**Announcement**”). Please state the implications of the Reversal Option and elaborate on the safeguard in place to ensure recoverability of the consideration paid.

**Company’s response to SGX Query (1):**

As explained in the Update Announcement, upon the completion of the exercise of the Reversal Option, PT Panghegar Energy Indonesia and its 80% owned subsidiary (together, the “**PEI Group**”) will cease to be subsidiaries of the Company and the exercise of the Reversal Option will be treated as a disposal of subsidiaries and the PEI Group will be treated as discontinued business of the Company for accounting purposes. Accordingly, the PEI Group will be de-

consolidated from the Group's audited consolidated financial statements for the financial year in which the Reversal Option is effected.

Purely for illustration purposes and assuming that the Reversal Option was exercised and completed on 31 December 2019, the impact the Reversal Option on the Group's audited consolidated financial statements for the financial year ended 31 December 2019 would have been as follows:

- (a) a reduction of the net liabilities of the Group by an amount of S\$566,000, being the net liabilities of the PEI Group;
- (b) a de-recognition of other payables of S\$270,000 (or USD\$200,000) in relation to the outstanding purchase consideration amount;
- (c) a de-recognition of the intangible assets (goodwill) of S\$2,535,000) which was recognised when the business of the PEI Group was combined with that of the Group; and
- (d) a reversal of the non-controlling interest of S\$84,000.

In addition, the purchase consideration for the acquisition of the PEI Group paid by the Company to the Seller of S\$1,783,000 (or USD\$1,300,000) will be recorded in the Company's books as other receivables. This outstanding amount is to be recovered from the Seller and will be subject to Expected Credit Losses (ECL) assessment per SFRS(I) 9.

Based on the above, the period of consolidation of the PEI Group with the Group is from 12 December 2019 to 31 December 2019. Due to the short duration of consolidation, the impact on the profit and loss accounts of the Group would have been minimal and immaterial.

The Board would like to emphasise that, as announced in the Update Announcement, the Company remains interested in the Project and the Management is currently working closely with the relevant parties, including the West Java Government, to implement the recommendations of the Consultant. 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.

Should the Company eventually choose to exercise the Reversal Option, the Company will have direct recourse against the Seller for the refund of the purchase consideration paid by the Company for the acquisition of the PEI Group in accordance with the terms and conditions set out in the CSPA. In the event that there might be, at any relevant time, any concern relating to the recoverability of the purchase consideration from the Seller, the Company will in tandem seek to dispose of its shares in PEI or its interest in the Project to a another party who will be



able to better manage the risks associated with the Project, while still continuing to seek recovery of the purchase consideration from the Seller.

**BY ORDER OF THE BOARD**

Poh Kok Hong  
Executive Director and Chief Executive Officer

11 June 2020