

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

ENTRY INTO A NON-BINDING LETTER OF INTENT WITH EMSUS CO. LTD.

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of Darco Water Technologies Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company had on 30 August 2019 entered into a non-binding letter of intent (the “**LOI**”) with Emsus Co. Ltd. (“**Emsus**”) 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 (“**PEI**”) (the “**Proposed Acquisition**”).

The Proposed Acquisition is subject to the entry into definitive agreement(s) (the “**Definitive Agreements**”) and the Company being satisfied with the results of due diligence. As of the date hereof, the Company is in the midst of negotiating the Definitive Agreements with Emsus and performing internal evaluation on the viability of the Project (as defined below).

2. INFORMATION ON THE PROPOSED ACQUISITION

2.1 Information on PEI

PEI is an Indonesia-incorporated company that holds majority interest in an Indonesia-incorporated company which specialises in the operation of waste management facilities, and which has entered into a cooperation agreement with a regional government of Indonesia to provide waste management services in certain Indonesian cities and provinces (the “**Project**”).

2.2 Information on Emsus

Emsus is a South Korean-incorporated company.

2.3 Key provisions of the LOI

2.3.1 The LOI is not legally binding, save for certain provisions relating to earnest monies, exclusivity, fees and expenses, confidentiality and governing law.

2.3.2 Earnest Monies

(a) As a sign of the Company’s commitment to incur time and resources to explore the feasibility of the Proposed Acquisition, the Company has remitted a sum of US\$300,000 to PEI (the “**Earnest Monies**”). The Earnest Monies may be used by PEI to fund the working capital or other commitments in relation to the Project.

- (b) If the Definitive Agreements are not entered into by the Company and PEI before the end of the Exclusivity Period (as defined below), the Earnest Monies shall be refunded to the Company in full but without interest, share of revenue or other benefits within 5 days following the end of the Exclusivity Period.
- (c) If the Company and PEI enter into the Definitive Agreements within the Exclusivity Period, the Earnest Monies shall form part of the total purchase consideration for the Proposed Acquisition or such other payments that may be due and payable by the Company under the Definitive Agreements.

2.3.3 Exclusivity

The exclusivity period shall commence on and from the date of the LOI and end on 6 p.m. on 28 February 2020 (the “**Exclusivity Period**”). During the Exclusivity Period, Emsus will not directly or indirectly, including through any officer, director, employee, affiliate, agent, representative or otherwise:

- (a) solicit, initiate or encourage any discussions with, or the submission of bids, offers or proposals by, any person or entity with respect to an acquisition similar to the Proposed Acquisition, the Project, the business, assets debt or securities (or any portion thereof) of PEI or any member of the PEI group, or a merger, recapitalisation or any similar transaction or scheme involving PEI or any member of the PEI group (a “**Competing Transaction**”);
- (b) engage in any discussions or negotiations, or enter into any agreement relating to, any such Competing Transaction with, or provide any information with a view toward a Competing Transaction to, any person other than the Group; or
- (c) accept any competing offer or proposal for a Competing Transaction.

Emsus will also provide prompt written notice to the Company within 24 hours from it or its board of directors becoming aware of any inquiry, indication of interest, approach, proposal or offer, whether indicative or firm, received from any party regarding a Competing Transaction (a “**Third Party Proposal**”), whether or not Emsus or its board of directors view such Third Party Proposals favourably.

2.4 **Rationale for the Proposed Acquisition**

The Board believes that the Proposed Acquisition will provide the Company with an additional profitable and recurring revenue stream.

3. **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.

4. FURTHER ANNOUNCEMENTS

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

5. 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 Definitive Agreements will be entered into, or that the terms and conditions of the Proposed Acquisition will not differ from those set out in the LOI, or that the Proposed Acquisition will be undertaken or completed at all. 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

25 October 2019