
FURTHER UPDATE ON THE ACQUISITION OF THE TOTAL ISSUED AND PAID-UP SHARE CAPITAL OF PT PANGHEGAR ENERGY INDONESIA – ENTRY INTO DEED OF SETTLEMENT AND SHARE TRANSFER IN RELATION TO THE EXERCISE OF THE REVERSAL OPTION

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 4 November 2019 on the proposed acquisition of 75% of the total issued and paid-up share capital of PT Panghegar Energy Indonesia (“**PEI**” and together with its subsidiaries, the “**PEI Group**”) (the “**Acquisition**”);
- (b) the Company’s announcement on 28 February 2020 on the constitution of PEI as a 75% subsidiary of the Company;
- (c) the Company’s announcement on 29 May 2020 regarding the update on the Acquisition;
- (d) the Company’s announcement on 8 June 2020 regarding the update on the Acquisition;
- (e) the Company’s announcement on 25 June 2020 regarding the update on the Acquisition;
- (f) the Company’s announcement on 24 July 2020 regarding the update on the Acquisition;
- (g) the Company’s announcement on 27 July 2020 regarding the update on the Acquisition, including on the exercise of the Reversal Option by the Company (the “**Fifth Update Announcement**”); and
- (h) the Company’s announcement on 14 August 2020 for its unaudited financial statements for the half year ended 30 June 2020 which includes, *inter alia*, the update on the Acquisition (the “**1H2020 Announcement**”),

(collectively, the “**Previous Announcements**”).

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to them in the Previous Announcements.

In this announcement, unless otherwise stated, the exchange rate applied by the Group for conversions of US\$ into S\$ is US\$0.74469 : S\$1, and the exchange rate applied by the Group for conversions of Rp into S\$ is Rp 10,574.8 : S\$1.

2. UPDATE ON THE REVERSAL OPTION

As disclosed in the Fifth Update Announcement, the Board had directed the Management to proceed with the exercise of the Reversal Option as well as take such steps that are reasonably necessary to recover the investment made and costs incurred in connection with the CSPA to the extent recoverable. As further disclosed in the 1H2020 Announcement, Emsus Co. Ltd. (the “**Seller**” or “**Emsus**”) had requested from the Company for the deferment of the re-purchase of the 6,000 shares in PEI (representing approximately 75% of the total number of issued and paid up share capital in PEI) held in the name of the Company (the “**Sale Shares**”) pursuant to the exercise of the Reversal Option as the Seller sought to make efforts for further negotiation with the West Java Provincial Government as well as to look for a new investor.

Please refer to the Previous Announcements for more information on the Acquisition, the PEI Group, Emsus and the exercise of the Reversal Option.

The Board wishes to update shareholders of the Company (“**Shareholders**”) that the Company had on 26 November 2020 entered into a deed of settlement and share transfer in relation to the exercise of the Reversal Option and a letter agreement relating to the aforesaid deed of settlement and share transfer, each with Emsus and Mr Do Yun Yu (collectively, the “**Deed of Settlement**”), pursuant to which, *inter alia*, subject to the receipt by the Company of the Settlement Amount (as defined herein) in accordance with the Deed of Settlement, the relevant parties have agreed to the full and final settlement of all or any allegations and claims which the parties may have against one another including, but not limited to, the subject matters relating to, arising out of and/or in connection with the CSPA, the Sale Shares and in respect of any matters relating to the shares and ownership of the PEI Group.

The entry into the Deed of Settlement will allow for the Company to reverse and unwind the Acquisition by transferring the Sale Shares to Emsus for the Settlement Amount (as defined herein), which is equivalent to the aggregate amount which has been paid by the Company in connection with the Acquisition.

3. SALIENT TERMS OF THE DEED OF SETTLEMENT

Terms of Settlement

- 3.1 Emsus shall pay a total sum of US\$1,313,000.00 (or equivalent to approximately S\$1,763,150) (the “**Settlement Amount**”) in the manner and upon the terms and conditions provided in the Deed of Settlement, of which:
- (a) US\$500,000.00 (or equivalent to approximately S\$671,420) shall be paid on or before 22 December 2020, or such other date as the parties shall agree in writing, being the date on which completion of the transfer of the Sale Shares in accordance with the Deed of Settlement (“**Completion**”) takes place (the “**Completion Date**”) (the “**First Settlement Payment**”);
 - (b) US\$500,000.00 (or equivalent to approximately S\$671,420) shall be paid on or before 31 October 2021 (the “**Second Settlement Payment**”); and
 - (c) US\$313,000.00 (or equivalent to approximately S\$420,310) shall be paid on or before 31 October 2022 (the “**Third Settlement Payment**”).

The Settlement Amount is equivalent to the aggregate amount which has been paid by the Company in connection with the Acquisition.

Based on the combined unaudited group accounts of the PEI Group as at 30 June 2020, the book value and the net tangible liabilities value for the PEI Group was approximately S\$632,024, and the net loss of the PEI Group for the half year ended 30 June 2020 was approximately S\$78,230. Based on the book value of the Sale Shares as set out above, the Settlement Amount represents an excess of approximately S\$2,395,174 over the book value of the Sale Shares, and the estimated net gain on disposal of the Sale Shares is approximately S\$27,000.

- 3.2 On the Completion Date, and conditional upon receipt of payment of the First Settlement Payment under paragraph 3.3, the Company shall transfer or cause to be transferred the Sale Shares to Emsus (or such person(s) as Emsus may in its absolute discretion designate) by delivering or cause to be delivered the following:
- (a) duly signed transfer form in respect of the Sale Shares in favour of Emsus or its nominee(s) as Emsus shall direct;
 - (b) the original share certificate(s) in respect of the Sale Shares;
 - (c) an official letter from the Company to PEI agreeing to the transfer of the Sale Shares;
 - (d) the circular resolution to be signed by all the shareholders of PEI to approve the transfer of the Sale Shares, duly signed by the Company; and
 - (e) any other documents as may be reasonably required to give good title to the Sale Shares and to enable Emsus (or such nominee(s) as it shall direct) to become the registered holder(s) of the Sale Shares.
- 3.3 On the Completion Date, Emsus shall pay the First Settlement Payment in full without any deduction, set off or retention whatsoever to the Company. On the respective dates set out in paragraph 3.1, Emsus shall pay the Second Settlement Payment and the Third Settlement Payment in full without any deduction, set off or retention whatsoever to the Company.

Default Interest

- 3.4 In the event that Emsus shall fail to observe its payment obligations in the Deed of Settlement as and when due, the Company shall be entitled to a default interest of 2.5% per annum calculated on the First Settlement Payment, the Second Settlement Payment and/or the Third Settlement Payment (or, where there is part payment, the shortfall amount) from such relevant due date until the full payment of the same.

Personal Guarantee and Indemnity

- 3.4 In consideration of the Company agreeing or having at Mr Do Yun Yu's (the "**Guarantor**") request agreed to enter into the Deed of Settlement, the Guarantor irrevocably and unconditionally agrees and undertakes with and for the benefit of the Company, *inter alia*, as follows:
- (a) to pay to the Company on demand and unconditionally any sum due and payable by Emsus and/or the Guarantor under or in respect of the Deed of Settlement or any part thereof outstanding for the time being and all other liabilities which shall become due and payable by Emsus to the Company including interest thereon under or in accordance with the terms and conditions of the Deed of Settlement (such liabilities hereinafter called the "**Liabilities**");

- (b) whenever Emsus does not pay or discharge any of the Liabilities, together with any interest accrued thereon, when they become due for payment or discharge, the Guarantor shall immediately on demand do so, as if he was the principal obligor; and
- (c) if any amount which would otherwise be claimed by the Company under this paragraph 3.4 is for any reason not recoverable thereunder on the basis of a guarantee, the Guarantor shall as principal debtor and primary obligor indemnify the Company immediately on demand against any cost, loss or liability which the Company may incur or suffer as a result of Emsus not paying any amount when (if such amount were recoverable from Emsus) it would have been due.

4. RELATIVE FIGURES UNDER RULE 1006

Based on the latest announced consolidated financial statements of the Group for the half year ended 30 June 2020 (“1H2020”), the relative figures for the disposal of the Sale Shares pursuant to the Deed of Settlement 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	-1.53 ⁽¹⁾
(b) The net profit/loss attributable to the assets acquired or disposed of, compared with the Group’s net profits/losses	4.21 ⁽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	12.53 ⁽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) Based on the net liabilities value of the Sale Shares of approximately S\$632,024 and the Group’s net asset value of approximately S\$41,217,000, as at 30 June 2020.

- (2) Based on the combined unaudited net loss attributable to the Sale Shares for the half year ended 30 June 2020 of approximately S\$78,230 and the Group's unaudited net loss of approximately S\$1,857,000 for the half year ended 30 June 2020. Net profit/loss is defined to be profit or loss before income tax, minority interests and extraordinary items.
- (3) The value of the Settlement Amount is US\$1,313,000.00 (or equivalent to approximately S\$1,763,150, compared to the Company's market capitalisation of approximately S\$14,074,724. 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\$0.15 per Share on 23 October 2020 (being the last market day on which the Shares were traded preceding the date of the Deed of Settlement).
- (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.

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(a), 1006(b) and 1006(c) exceed 5% but do not exceed 20%, and the disposal of the Sale Shares pursuant to the Deed of Settlement will result in a gain on disposal of approximately S\$27,000, such disposal therefore constitutes a "discloseable transaction" under the provisions of Rule 1006 and paragraph 4.4 of Practice Note 10.1 of the Listing Manual of the SGX-ST.

5. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

5.1 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 disposal of the Sale Shares pursuant to the Deed of Settlement. The financial effects of the disposal of the Sale Shares pursuant to the Deed of Settlement 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 2019 ("**FY2019**"), as well as the following bases and key assumptions:

- (a) the financial effects of the disposal of the Sale Shares pursuant to the Deed of Settlement on the Group's net tangible asset value ("**NTA**") per Share are computed based on the assumption that the disposal of the Sale Shares was completed on 31 December 2019;
- (b) the financial effects of the disposal of the Sale Shares pursuant to the Deed of Settlement on the Group's earnings per Share ("**EPS**") are computed based on the assumption that the disposal of the Sale Shares was completed on 1 January 2019; and

(c) the analysis assumes that the Settlement Amount is paid in full.

5.2 NTA per Share

	Before the disposal of the Sale Shares	After the disposal of the Sale Shares
NTA (S\$'000)	38,837	38,864
Number of Shares	93,831,492	93,831,492
NTA per Share (S\$ cents)	41.39	41.42

5.3 EPS

	Before the disposal of the Sale Shares	After the disposal of the Sale Shares
Group profit/(loss) after tax (S\$'000)	(8,829)	(8,802)
Weighted average number of Shares (excluding treasury shares)	93,831,492	93,831,492
EPS (S\$ cents)	(9.409)	(9.381)

6. 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 transactions contemplated by the Deed of Settlement, other than through their respective shareholding interests in the Company, if any.

7. SERVICE CONTRACTS

No person is proposed to be appointed to the Board in connection with the transactions contemplated by the Deed of Settlement, 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 transactions contemplated by the Deed of Settlement.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Deed of Settlement 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.

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in 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 Deed of Settlement and the transactions contemplated therein, 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. 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 when dealing in the securities of the Company. The Company will make the necessary announcements as and when there are further developments in relation to the above matter. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully, and should consult their stock brokers, bank managers, financial advisors, legal advisors and/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

26 November 2020