



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

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**ANNOUNCEMENT PURSUANT TO RULE 703 OF THE LISTING MANUAL**

**- ISSUE OF LETTERS OF DEMAND BY THE COMPANY'S SUBSIDIARY,  
WUHAN KAIDI WATER SERVICES CO., LTD., IN RESPECT OF CLAIMS FOR OVERDUE PAYMENTS  
(1) FOR ENGINEERING SERVICES PROVIDED UNDER THE YINCHUAN PROJECT (银川项目); AND  
(2) FOR ENGINEERING SERVICES PROVIDED TO TAI SHAN GROUP CO., LTD (泰山集团股份有限公司)**

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**1. ISSUANCE OF LETTERS OF DEMAND**

1.1 The Board of Directors (the "**Directors**" or the "**Board**") of Darco Water Technologies Limited (the "**Company**" and together with its subsidiaries, collectively, the "**Group**") wishes to announce that the Company's subsidiary, Wuhan Kaidi Water Services Co., Ltd. ("**WHKD**"), had issued two letters of demand against (1) China Construction Third Engineering Bureau Co., Ltd ("**China Construction**") in respect of claims by WHKD against China Construction for engineering work done provided by WHKD under the Yinchuan Project (银川项目) (the "**Yinchuan Letter of Demand**"); and (2) Tai Shan Group Co., Ltd (泰山集团股份有限公司) ("**Tai Shan**") in respect of claims by WHKD against Tai Shan for overdue accounts receivables for engineering services provided by WHKD to Tai Shan (the "**Tai Shan Letter of Demand**", and the Yinchuan Letter of Demand and the Tai Shan Letter of Demand collectively, the "**Letters of Demand**").

1.2 Amounts Due and Owing

- (a) The total amount due to WHKD under the Yinchuan Project (银川项目) is currently quantified at approximately RMB3,653,241, which includes a fixed amount of RMB2,200,000 and a variable amount of RMB1,453,241. WHKD had demanded in the Yinchuan Letter of Demand that China Construction repay the fixed amount of RMB2,200,000 (which is past due) to WHKD within 10 working days of receipt of the Yinchuan Letter of Demand. The Company understands that, to date, China Construction has yet to respond to the Yinchuan Letter of Demand. The Company is awaiting for an update from WHKD on the next step that it plans to take.
- (b) The total amount due to WHKD from Tai Shan is currently quantified at approximately RMB514,405.71. WHKD had demanded in the Tai Shan Letter of Demand that Tai Shan repay the amount of RMB514,405.71 to WHKD within 5 working days of receipt of the Tai Shan Letter of Demand. As of the date hereof, Tai Shan has yet to respond to the Tai Shan Letter of Demand. Similar to the Yinchuan Letter of Demand, the Company is awaiting for an update from WHKD on the next step that it plans to take.

1.4 In the meantime, the Company has instructed WHKD to take all necessary steps to protect its interest, including, if advisable, the commencement of legal proceedings against China Construction and/or Tai Shan (as the case may be), should they fail to make payments claimed under the Yinchuan Letter of Demand and the Tai Shan Letter of Demand respectively.

1.5 The Company will make further announcements to update shareholders as and when there are any further developments.

**2. FURTHER PROVISION FOR UNRECOVERED ACCOUNTS RECEIVABLES AND IMPACT ON THE FINANCIAL POSITION OF THE COMPANY**

2.1 The Company previously had, in its audited financial statements for the financial year ended 31 December 2019, made a full impairment in respect of contract assets in WHKD by China Construction under the Yinchuan Project (银川项目).

2.2 Accordingly, the impact of any non-recovery of the above-stated claim amounts to WHKD by China Construction under the Yinchuan Project (银川项目) on the financial position of the Company has already been reflected in its audited financial statements for the financial year ended 31 December 2019.

2.3 The Company has not made any provision for the amount due to WHKD from Tai Shan. Based on the Tai Shan Letter of Demand issued and information available to the Company as of the date hereof, it is likely that an impairment of RMB514,405.71 (the “**Tai Shan Impairment**”) will be required to be made to the financial statements of the Company for the financial year ending 31 December 2020 (“**FY2020**”).

2.4 The Tai Shan Impairment, if made, is unlikely to represent a material adverse impact on the financial position of the Company for FY2020.

2.5 The Company will make further announcements to update shareholders as and when there are any further developments.

**3. 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

06 November 2020