
ANNOUNCEMENT PURSUANT TO RULE 703 OF THE LISTING MANUAL

ISSUE OF LETTER OF DEMAND BY THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD., IN RESPECT OF CLAIMS FOR OVERDUE PAYMENTS FOR EQUIPMENT SUPPLY SERVICES PROVIDED TO WUHAN HUANGPI KAIDI WATER CO., LTD. (武汉黄陂凯迪水务有限公司) UNDER THE EQUIPMENT SUPPLY CONTRACT FOR THE HUANGPI XINWU LAKE WATER PLANT EQUIPMENT PROJECT (黄陂新武湖水厂设备成套项目设备成套供货合同)

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**”) wishes to announce that the Company’s subsidiary, Wuhan Kaidi Water Services Co., Ltd. (“**WHKD**”), had issued a letter of demand (the “**Letter of Demand**”) against Wuhan Huangpi Kaidi Water Co., Ltd. (武汉黄陂凯迪水务有限公司) (“**WHHP**”) in respect of claims by WHKD against WHHP for unpaid amount owing to WHKD for equipment supply services provided by WHKD to WHHP under the equipment supply contract for the Huangpi Xinwu Lake Water Plant Equipment Project (黄陂新武湖水厂设备成套项目设备成套供货合同) (the “**Huangpi Project**”).

2. THE LETTER OF DEMAND AND THE CIVIL COMPLAINT

- 2.1 Total amount owing to WHKD from WHHP for equipment supply services provided by WHKD to WHHP under the Huangpi Project is approximately RMB7,596,430 (equivalent to approximately S\$1,595,770).
- 2.2 The Company understands that WHHP has responded to the Letter of Demand indicating that they are disputing the amount owing to WHKD. Thus, WHKD shall be commencing arbitration proceedings against WHHP.

3. PROVISION FOR UNRECOVERED ACCOUNTS RECEIVABLES AND IMPACT ON THE FINANCIAL POSITION OF THE COMPANY

- 3.1 The Company has previously made a partial impairment of RMB4,310,250 (equivalent to approximately S\$905,450) for the amount owing to WHKD from WHHP.
- 3.2 In the event that further impairment is subsequently required to be made, and based on information available to the Company as of the date hereof, the maximum further impairment amount that may be required to be made in the financial statements of the Company for FY2021 will be approximately RMB3,286,180 (equivalent to approximately S\$690,320) (the “**WHHP**”).

Further Impairment”). The WHHP Further Impairment will have a material impact on the financial performance of the Company for FY2021. Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2020 (“FY2020”), the WHHP Impairment will amount to approximately 38% of the Group’s profit before tax for FY2020.

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

4. 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

Kong Chee Keong
Executive Director and Chief Executive Officer

29 September 2021