



**SOLUTIONS TO WATER & WASTE**

**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**

**ISSUANCE 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 AND TECHNICAL INTEGRATION SERVICES PROVIDED TO SHANGHAI HUAYUN ENVIRONMENTAL TECHNOLOGY CO., LTD., (上海华蕴环保科技有限公司)**

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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**") 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 Shanghai Huayun Environmental Technology Co., Ltd., (上海华蕴环保科技有限公司) ("**SHHY**") in respect of claims by WHKD against SHHY for the unpaid amount owing to WHKD for equipment supply and technical integration services provided by WHKD to SHHY under two projects (the "**SHHY Equipment Supply and Technical Integration Services Claims**").

**2. THE LETTER OF DEMAND**

- 2.1 WHKD demanded from SHHY for equipment supply and technical integration services provided by WHKD to SHHY under the SHHY Equipment Supply and Technical Integration Services Claims for an aggregate amount of RMB2,771,443 (equivalent to approximately S\$573,086).
- 2.2 WHKD demanded in the Letter of Demand that SHHY repay the outstanding amount of RMB2,771,443 (equivalent to approximately S\$573,086) within five days of receipt of the Letter of Demand. WHKD is communicating closely with SHHY on the repayment before considering the next steps.
- 2.3 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 SHHY, should they fail to make payments claimed under the Letter of Demand.
- 2.4 The Company will make further announcements to update shareholders as and when there are any further developments.

**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 RMB2,692 (equivalent to approximately S\$557) for the amount owing to WHKD from SHHY.

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 will be approximately RMB1,328,647 (equivalent to approximately S\$274,741) (the “**SHHY Further Impairment**”) after offsetting prepayment from SHHY amounting to RMB249,403 (equivalent to approximately S\$51,572). The SHHY Further Impairment will have a material impact on the financial performance of the Company. Based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2021 (“**FY2021**”), the SHHY Further Impairment will amount to approximately 4% of the Group’s loss before tax for FY2021.

**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

19 May 2022