

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

---

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

**(1) ISSUE OF LETTER OF DEMAND BY THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD., IN RESPECT OF CLAIMS FOR OVERDUE PAYMENTS FOR INSTALLATION AND RELATED TECHNICAL SERVICES PROVIDED TO KUITUN YUANXIN SEWAGE TREATMENT CO., LTD (奎屯源鑫污水处理有限公司) UNDER THE KUITUN TIANBEI NEW DISTRICT SEWAGE TREATMENT PLANT PROJECT (奎屯天北新区污水处理厂项目)**

**(2) CIVIL COMPLAINT BY THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD., IN RESPECT OF CLAIMS FOR OVERDUE PAYMENTS FOR EQUIPMENT SUPPLY SERVICES PROVIDED TO CHINA CONSTRUCTION THIRD ENGINEERING BUREAU GROUP CO., LTD. (中建三局集团有限公司) UNDER THE YINCHUAN BINHE NEW AREA SEWAGE TREATMENT PLANT PHASE I PROJECT (银川滨河新区污水处理厂一期工程项目污水处理设备采购买卖合同)**

---

**1. INTRODUCTION**

- 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 the following:
- (a) the Company's subsidiary, Wuhan Kaidi Water Services Co., Ltd. (“**WHKD**”), had issued a letter of demand (the “**Letter of Demand**”) against Kuitun Yuanxin Sewage Treatment Co., Ltd (奎屯源鑫污水处理有限公司) (“**KTYX**”) in respect of claims by WHKD against KTYX for the unpaid amount owing to WHKD for installation and related technical services provided by WHKD to KTYX under the Kuitun Tianbei New District sewage treatment plant project (奎屯天北新区污水处理厂项目) (the “**KTTB Project**”); and
  - (b) WHKD had lodged a civil complaint (the “**Civil Complaint**”) against China Construction Third Engineering Bureau Group Co., Ltd. (中建三局集团有限公司) (“**China Construction**”) in respect of claims by WHKD against China Construction for amount due and owing to WHKD for equipment supply services provided by WHKD to China Construction under the Yinchuan Binhe New Area Sewage Treatment Plant Phase I Project (银川滨河新区污水处理厂一期工程项目污水处理设备采购买卖合同) (the “**Yinchuan Project**”).

**2. THE LETTER OF DEMAND AND THE CIVIL COMPLAINT**

- 2.1 The total amount owing to WHKD: (a) from KTYX for unpaid amount for installation and related technical services provided by WHKD to KTYX under the KTTB Project; and (b) from China Construction as agreed between the parties for overdue accounts receivables for equipment

supply services provided by WHKD to China Construction under the Yinchuan Project, is currently quantified at an aggregate of approximately RMB10,956,713 (equivalent to approximately S\$2,195,576).

## 2.2 The Letter of Demand

WHKD had demanded in the Letter of Demand that KTYX repay the unpaid amount owing to WHKD from KTYX under the KTTB Project to WHKD, within 5 days of receipt of the Letter of Demand. The Company understands that, to date, KTYX has received the Letter of Demand but has yet to respond to the Letter of Demand. In this regard, WHKD has agreed to give KTYX more time to respond to the Letter of Demand and is awaiting KTYX's reply before considering the next steps to be taken.

## 2.3 The Civil Complaint

WHKD had lodged the Civil Complaint with the People's Court of Wuhan East Lake New Technology Development Zone (武汉东湖新技术开发区人民法院) for the repayment of the outstanding and overdue amount owing to WHKD from China Construction, as agreed between the parties for overdue accounts receivables for equipment supply services provided by WHKD to China Construction under the Yinchuan Project. The court proceedings are currently pending.

2.4 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 KTYX and/or taking of further legal action against KTYX and/or China Construction.

2.5 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 had previously, in its audited financial statements for the financial year ended 31 December 2020 ("FY2020"), made a partial impairment in respect of: (a) the unpaid amounts owing to WHKD by KTYX under the KTTB Project; and (b) the amounts due and owing to WHKD by China Construction under the Yinchuan Project for the supply of equipment. Based on the management of the Company's (the "**Management**") assessment and barring any unforeseen circumstances or events, the Management is of the opinion that there is no further impairment that is required to be made in the financial statements of the Company for the financial year ending 31 December 2021 ("FY2021") in respect of: (a) the unpaid amounts owing to WHKD by KTYX under the KTTB Project; and (b) the amounts due and owing to WHKD by China Construction under the Yinchuan Project for the supply of equipment.

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 RMB4.7 million (equivalent to approximately S\$947,000). The further impairment, if made, will have a material impact on the financial performance of the Company. Based on the latest audited consolidated financial statements of the Company for FY2020, the further impairment will amount to approximately 52% 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**

Poh Kok Hong  
Executive Director and Chief Executive Officer

3 August 2021