

---

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

1. **RECEIPT OF ARBITRATION NOTICE BY THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD., IN RESPECT OF CLAIMS FOR ADDITIONAL CONSTRUCTION COSTS FOR CIVIL WORKS PROVIDED BY SHANHE CONSTRUCTION GROUP (山河建设集团有限公司) UNDER HUANENG SHANG'AN POWER PLANT WATER CONSERVATION, EMISSION REDUCTION AND POLLUTION TREATMENT PHASE 1 REFURBISHMENT OF THE RAW WATER TREATMENT UNIT RECYCLING WATER DISCHARGE SEWAGE TREATMENT CAPACITY PROJECT (华能上安电厂全厂节水减排及治污改造一期工程原水处理装置循环水排污水处理增容改造工程土建工程施工合同)**
2. **ISSUANCE OF LETTER OF DEMAND BY THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD. IN RESPECT OF CLAIMS FOR THE AMOUNT DUE AND OWING BY SHANGHAI HUAYUN ENVIRONMENTAL TECHNOLOGY CO., LTD., (上海华蕴环保科技有限公司)**

---

**1. RECEIPT OF ARBITRATION NOTICE**

- 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 received an arbitration notice (the "**Arbitration Notice**") from Shanhe Construction Group ("**SHCG**") claiming an additional construction costs for civil works provided by SHCG to WHKD under the Huaneng Shang'an power plant water conservation, emission reduction and pollution treatment Phase 1 refurbishment of the raw water treatment unit recycling water discharge sewage treatment capacity project (the "**Shanhe Project**").
- 1.2 Under the Shanhe Project, SHCG has declared the final project completion settlement amount of RMB10,809,400. WHKD has, to date, repaid RMB8,068,915.79.
- 1.3 Pursuant to the Arbitration Notice, SHCG has made the following claims:
  - i. Repayment of outstanding amount owing from WHKD to SHCG of RMB2,740,484.21 (equivalent to approximately S\$590,672) under the Shanhe Project;
  - ii. Late payment interest to be assessed and accrued on unpaid amount until date of settlement of all outstanding amount; and
  - iii. The arbitration fees,(collectively, "**SHCG's Claims**").
- 1.4 WHKD has received a notice from Wuhan Arbitration Commission that the arbitration hearing will be on 11 March 2022.

- 1.5 The Company has instructed WHKD to take all necessary steps to defend against the SHCG's Claims. WHKD is currently seeking legal advice on the Arbitration Notice in relation to its defenses.

## **2. ISSUANCE OF LETTER OF DEMAND**

- 2.1 The Board of the Group wishes to announce that WHKD has issued a 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 for the amount due and owing to WHKD, in relation to WHKD's EPC project, namely Yuanyang Lake Wastewater Treatment Plant in Ningdong Energy Base (宁东基地鸳鸯湖污水处理厂项目) (the “**Huayun Letter of Demand**”).
- 2.2 WHKD demanded in the Huayun Letter of Demand that SHHY repays the amount of RMB2,900,000 (equivalent to approximately S\$625,054), and the related interest, to WHKD within 10 working days of its receipt.
- 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 Huayun Letter of Demand.

## **3. POTENTIAL IMPACT ON THE FINANCIAL POSITION OF THE COMPANY**

### **3.1 Arbitration Notice from SHCG**

- 3.1.1 In relation to the receipt of Arbitration Notice in paragraph 1, the outstanding payables to SHCG recorded in the WHKD's financial statements is RMB812,672 (equivalent to approximately S\$175,160).
- 3.1.2 In the unlikely event that provision is required in relation to the above claim by SHCG, and based on information available to the Company as of the date hereof, the maximum provision amount that may be required to be made in the financial statements of the Company for FY2022 will be approximately RMB1,927,812 (equivalent to approximately S\$415,513).
- 3.1.3 The above maximum provision, if made, will have material impact on the financial performance of the Company. Based on the latest unaudited consolidated financial statements of the Company for FY2021, the further provision will amount to approximately 6% of the Group's loss before tax for FY2021.

### **3.2 Huayun Letter of Demand**

- 3.2.1 In the unlikely event that impairment in relation to the issuance of Letter of Demand in paragraph 2 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 RMB2,832,852 (equivalent to approximately S\$610,581).

- 3.2.2 The above maximum 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 FY2021, the further impairment will amount to approximately 8% of the Group's loss before tax for FY2021.
- 3.2.3 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

8 March 2022