



**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**

**UPDATE ON ISSUANCE OF LETTER OF DEMAND BY THE COMPANY'S SUBSIDIARY, WUHAN KAI DI WATER SERVICE 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)**

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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**") refers to the Company's previous announcements on 8 March 2022 (the "**Previous Announcement**") in relation to the letter of demand (the "**Huayun Letter of Demand**") issued by the Company's subsidiary, Wuhan Kaidi Water Service Co., Ltd. ("**WHKD**") 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).

*Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the Previous Announcements.*

**2. UPDATE ON THE LETTER OF DEMAND**

- 2.1 As disclosed in the Previous Announcement on 8 March 2022, WHKD had 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. However, SHHY failed to make payments claimed under the Huayun Letter of Demand. Subsequently, WHKD has filed two arbitrations through the Shanghai Arbitration Commission ("**SHAC**") and the Wuhan Arbitration Commission ("**WAC**") in respect of a claim amount of RMB0.68 million and RMB2.72 million respectively as no payments have been received. The initial amount due from SHHY was RMB3.4 million and WHKD has only received RMB500,000 from SHHY before the Huayun Letter of Demand was issued. The RMB500,000 received was regarded as interest payment.
- 2.2 The Company wishes to update shareholders that WHKD has lost the arbitration filed through the SHAC and has filed an application to withdraw the other arbitration previously filed with WAC ("**WAC Arbitration**"). WHKD has made a strategic decision to withdraw from the WAC Arbitration, to re-evaluate the various options that may be available. WHKD will further discuss the next steps with lawyers and provide further updates when available.

- 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.
- 2.4 The Company will make further announcements when there is any material development on this matter.

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

- 3.1 The Company has fully impaired the amount of RMB2,900,000 due from SHHY in FY2022. As such, there will not have a material impact on the financial performance of the Company for FY2023.

**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**

Dr Zhang Zhenpeng  
Executive Director and Chief Executive Officer

18 July 2023