

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

CLAIMS BY TAIWANESE TAX AUTHORITIES AGAINST DARCO ENGINEERING TAIWAN INC

The Board of Directors (the “Board”) of Darco Water Technologies Limited (the “Company”, and together with its subsidiaries, collectively the “Group”) wishes to announce that in connection with the on-going audit for the Company and its subsidiaries for the financial year ended 31 December 2013, it has been notified by its subsidiary, Darco Engineering Taiwan Inc (“DET”), that DET has recently received an additional tax assessments and penalties (the “Claims”) from the Taiwanese tax authorities amounting to NT\$42,822,114 (approximately SG\$1,780,500) and NT\$38,486,995 (approximately SG\$1,600,250) respectively.

The additional tax assessments arose from the fraudulent acts committed by the previous management of DET announced on 22 November 2010 and are for the financial years of assessment 2006, 2007, 2008 and 2009, and the penalties as a consequent result the additional tax assessment. The legal suit against the former management of DET is still on-going.

The Company has been advised that the Claims are disputable and will vigorously appeal and contest such Claims. The Company has been advised to contest on the following grounds:

- 1) Any penalties imposed are unreasonable because the matter arose from the Company’s voluntarily disclosure;
- 2) The Company shall also challenge the excess amount imposed by the Taiwan tax authorities as it is deemed to be excessive; and
- 3) The Company has worked out that the additional tax payable, if any, shall be approximately NT\$4 million (approximately SG\$166,316).

The Board is of the view that the Company is able to operate as a going concern as the Company has adequate finances to support its operations and there will be no material impact to the financial results of the Group for the year ended 31 December 2013. However, if the Claims are proven to be valid, there could be a material impact on the future results of the Group depending on the final quantitative amount of the Claims.

The Board will keep shareholders updated on the above matter as and when there are material developments.

By Order of the Board

Thye Kim Meng
Managing Director and Chief Executive Officer
2 May 2014