



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

ANNOUNCEMENT PURSUANT TO RULE 703 OF THE LISTING MANUAL

UPDATE ON LEGAL MATTERS RELATING TO THE COMPANY'S SUBSIDIARY, WUHAN KAIDI WATER SERVICES CO., LTD. ("WHKD")

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**") refers to the Company's previous announcements on 3 August 2021, 27 September 2021, 8 March 2022, and 11 March 2022 (the "**Previous Announcements**") in relation to, *inter alia*, the following:

- (a) the letter of demand (the "**KTYX Letter of Demand**") issued by WHKD against Kuitun Yuanxin Sewage Treatment Co., Ltd (奎屯源鑫污水处理有限公司) ("**KTYX**") in respect of claims made for overdue accounts receivables 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 "**KTYX's Claim**"); and
- (b) the Arbitration Notice in relation to the Shanhe Construction Group's (山河建设集团有限公司) ("**SHCG**") claims on the additional construction costs for civil works provided 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 (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) (the "**SHCG's Claim**").

(collectively, the "**WHKD Legal Matters**").

1.2 The Board wishes to update shareholders on the status of the WHKD Legal Matters.

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

2. THE KTYX'S CLAIM

2.1 As disclosed in the Previous Announcement on 3 August 2021 and 27 September 2021, WHKD had demanded in the KTYX Letter of Demand that KTYX repays the unpaid amount owing to WHKD of RMB7,180,000 (equivalent to approximately S\$1,446,670) to WHKD within 5 working days of receipt of the KTYX Letter of Demand. As of today, WHKD has not received the overdue amount claimed under the KTYX Letter of Demand from KTYX.

2.2 The Company wishes to update shareholders that WHKD had lodged a Civil Complaint with the People's Court of Xinjiang Production and Construction Corps Kuitun Reclamation Zone (新疆生产建设兵团奎屯垦区人民法院).

- 2.3 The Court has issued its judgment on 8 June 2022 in respect of the Civil Complaint, *inter alia*, as follows:
- (a) KTYX shall pay the overdue amount of RMB7,180,000 (equivalent to approximately S\$1,446,670) to WHKD within 15 days from the judgment;
 - (b) KTYX shall pay the loss of interest on the unpaid amount from 8 June 2020 to 31 October 2021 of RMB300,522.74 (equivalent to approximately S\$62,218¹) to WHKD within 15 days from the judgment;
 - (c) KTYX shall continue to pay the loss of interest on the unpaid amount to WHKD commencing from 1 November 2021 until the date of payment in full;
 - (d) The total costs of the Civil Complaint were RMB37,193. KTYX shall bear the costs of the Civil Complaint amounting to RMB37,057 while WHKD shall bear the remaining costs; and
 - (e) KTYX has 15 days from the date of the judgment to appeal against the decision to the Intermediate People's Court of the Seventh Division of Xinjiang Production and Construction Corps.
- 2.4 As disclosed in the Previous Announcement on 3 August 2021 and 27 September 2021, the Company had previously, in its audited financial statements for FY2020, made a partial impairment of RMB3,051,000 (equivalent to approximately S\$614,740) in respect of the sums due and owing to WHKD by KTYX under the KTYX Claim.

Based on the Management's assessment thus far and barring any unforeseen circumstances or events, the Company is of the opinion that there is no further impairment required to be made in the financial statements of the Company for FY2022 in respect of these unpaid amounts owing to WHKD by KTYX.

3. THE SHCG'S CLAIM

- 3.1 As disclosed in the Previous Announcement on 8 March 2022 and 11 March 2022 relating to the claims made by SHCG on the additional construction costs for civil works done by SHCG to WHKD amounting to RMB2,740,484.21 (equivalent to approximately S\$590,672), together with the late payment interest and the arbitration fees.
- 3.2 The Company wishes to update shareholders that WHKD and SHCG had, through court mediation on 10 June 2022, entered into a settlement whereby the parties had agreed, *inter alia*:
- (a) that WHKD shall pay the amount of RMB731,084.21 (equivalent to approximately S\$151,000¹) to SHCG within 10 working days upon receipt of the settlement agreement; and
 - (b) that the arbitration fee amounting to RMB47,989 shall be borne equally by both parties. As SHCG had prepaid the arbitration fee, WHKD shall repay RMB23,994.50 to SHCG within 10 working days upon receipt of the settlement agreement.
- 3.3 As disclosed in the Previous Announcement on 8 March 2022, the outstanding payables to SHCG recorded in the WHKD's financial statements is RMB812,672 (equivalent to approximately S\$175,160).

Based on the settlement agreement, the total amount to be paid to SHCG shall be RMB755,078.71

(equivalent to approximately S\$156,327¹) which is less than the recorded amount of RMB812,672. As such, there is no material financial impact on the financial performance of the Company.

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

14 June 2022