



BETTER SOLUTIONS TO WATER & WASTE

Darco Water Technologies Limited

(Incorporated in the Republic of Singapore)
(Company Registration Number 200106732C)

RESPONSE TO SGX QUERIES IN RELATION TO THE BREACH OF FINANCIAL COVENANTS BY A SUBSIDIARY

The Board of Directors (the “**Board**” or the “**Directors**”) of Darco Water Technologies Limited (the “**Company**”) refers to the Company’s announcement dated 25 February 2025 in relation to, *inter alia*, the breach of certain financial covenants (“**Financial Covenants**”) by the Company’s subsidiary, Darco Ba Lai Water Supply Limited (“**DBL**”) under a loan agreement (the “**Loan Agreement**”) between DBL and its bank (“**Bank**”) (the “**Previous Announcement**”).

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) had issued a private query to the Company on the Previous Announcement. Subsequently, the SGX-ST requested that the Company publish its responses to the SGX-ST’s queries set out below on SGXNET. Accordingly, the Board sets out below the Company’s responses to the said queries issued by the SGX-ST:

SGX-ST Query 1

Please clarify if (i) the breach is capable of remedy and whether there is any remedy or grace period before an Event of Default is called. Please advise the implications of (i) the breach of the Financial Covenants and (ii) an Event of Default, including but not limited to operations in the Darco Ba Lai Water Supply Limited.

Company’s Response to Query 1

The Board wishes to clarify that:

1. The Company understands from the Bank that the breach of the Financial Covenants is not capable of remedy, as the financial ratios underlying the Financial Covenants relate to DBL’s historical financial performance which has occurred in the past. Further, the Company understands that while there is no grace period before an Event of Default is declared, the declaration of an Event of Default based on a breach of the Financial Covenants is at the discretion of the Bank and is not an automatic occurrence.
2. Nonetheless, the Bank has not indicated that it is intending to declare an Event of Default. Accordingly, the Bank has not demanded repayment. In addition, although the Company understands that the breach is not capable of remedy, the Bank has indicated that it would be prepared to grant an annual conditional waiver, valid for a period of twelve (12) months up to 31 December every year, subject to several conditions as follows:
 - (a) Darco InfraCo Vietnam Water Pte. Ltd. (“**DIVW**”), the Company’s 51%-owned subsidiary, providing a corporate guarantee (“**Corporate Guarantee**”) to the Bank (to the satisfaction of the Bank) for DBL’s loan containing, among others,

provisions stating that the Corporate Guarantee shall only expire upon DBL's full satisfaction of its obligations under the Loan Agreement and further that any change in the capital structure of DIVW must be subject to the Bank's approval;

- (b) the deposit of additional amounts into DBL's account maintained with the Bank such that there would be a minimum amount in the account which is equivalent to an upfront payment of one (1) year of principal and interest repayment, and further that DBL would commit to arranging sufficiency of funds to repay the loan according to the terms of the Loan Agreement; and
 - (c) the Bank's satisfactory evaluation of DBL's plan of improvement for its project and approval by the Bank's director of the same.
3. As disclosed in the Company's announcement on 25 February 2025, breach of the Financial Covenants constitutes an "Event of Default" under the Loan Agreement and entitles the Bank to, amongst other things, demand for all outstanding sums as at 31 December 2024.
 4. Accordingly, if the Bank decides at its discretion to declare an Event of Default, DBL would be required to repay the outstanding sum of approximately 40.43 billion Vietnamese Dong ("**VND**") (equivalent to approximately SGD 2.11 million). As of now, DBL holds cash and cash equivalents of approximately VND 16.8 billion (equivalent to approximately SGD 0.89 million). The shortfall of approximately VND 23.6 billion (equivalent to approximately SGD 1.22 million) would be supported by the Group.
 5. Operations of DBL are not affected by the breach of Financial Covenants as an Event of Default would still have to be subsequently declared by the Bank at its discretion, and prior to the Bank's declaration (if any) as such, DBL can and will continue to operate as normal.
 6. Operations of DBL will not be affected should the Bank decide to declare an Event of Default as DBL can meet its debt obligations with support from its shareholder, DIVW. Additionally, there are sufficient financial resources to sustain operational requirements.

SGX-ST Query 2

Please clarify if there are cross-default and/or cross-acceleration provisions in any existing borrowings. If so, please clarify whether the Group would have the ability to meet such repayment(s).

Company's Response to Query 2

There are no cross-default and/or cross-acceleration provisions in any existing borrowings of the Group.

SGX-ST Query 3

In view of the breach of Financial Covenants by Darco Ba Lai Water Supply Limited, please provide the Board's assessment on whether the Group can continue to operate as a going concern in the event the loan is being recalled due to the breach, and the bases for such an opinion.

Company's Response to Query 3

The Board is of the opinion that the Group can continue to operate as a going concern in the event that the loan is recalled due to the breach.

In arriving at the aforementioned opinion, the Board considered that the Group maintains sufficient cash and cash equivalents to support its short- to medium-term operational and financial commitments, even if the loan is recalled and payment of the sums mentioned under the Company's response to Query (1) is required.

Accordingly, the Board is of the opinion that the Group can continue to operate as a going concern in the event that the loan is recalled due to the breach.

The Board wishes to reiterate that, as disclosed in the Company's response to Query (1), the Bank has not indicated that it intends to declare an Event of Default and further is prepared to extend a waiver subject to the conditions specified in the Company's response to Query (1).

For the avoidance of doubt, the Company's responses above to the SGX-ST's queries shall not be taken as an admission of any liability with respect to the breach of the Financial Covenants by DBL. The Company will make further announcements to update its shareholders when there are material updates to the matters set out above as may be necessary and appropriate.

By Order of the Board of
Darco Water Technologies Limited

Zhang Zhenpeng
Executive Director and Chief Executive Officer
6 April 2025