

**Issuer:** Darco Water Technologies Limited  
**Security:** Darco Water Technologies Limited

**Meeting details:**

Date: 26 April 2018

Time: 10.00 a.m.

Venue: Six Battery Road #10-01 Singapore 049909

**Company Description**

Darco Water Technologies Limited, an investment holding company, designs, builds, operates, and maintains water and wastewater systems. The company operates through Engineered Environmental Systems, Water Management Services, and Trading segments. The Engineered Environmental Systems segment designs, fabricates, assembles, installs, and commissions engineered water systems for industrial applications. The Water Management Services segment services and maintains product water and wastewater systems. The Trading segment trades and supplies chemicals, electrical controls, and related instruments used in water treatment systems. The company also designs and supplies environmental related equipment, centralized vacuum systems, refuse conveying system, and other engineering systems; and designs, installs, sets up, and maintains industrial waste treatment plant ultra-pure system; tests waste water and processed water; and renders other related waste treatment plant services. In addition, it provides integrated engineering solutions for water purification, water supply, and wastewater treatment; and related consultancy services, as well as industrial services. Further, the company engages in recycling medical waste; and designing, fabricating, and constructing pure and waste water treatment plants. The company serves electronics, petrochemicals, pharmaceuticals, and food and beverage industries in Singapore, Taiwan, Malaysia, the People's Republic of China, and internationally. Darco Water Technologies Limited was founded in 1999 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BLR](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BLR))

**Q1.** Following the Extraordinary General Meeting (“EGM”) held on 12 March 2018, the resolutions related to the allotment and issuance of the Consideration shares, of the Wang Zhi placement shares and of the RS placement shares were approved.

On 23 March 2018, the company announced that the completion of the placement of 27,680,000 new shares to Mr. Wang Zhi, following which Mr. Wang emerged as the largest single shareholder of the company with a 29.5% stake.

In the Chairman’s Statement, it was mentioned Mr. Wang has more than 15 years of experience in the business of water and wastewater treatment and water supply and the group intends to tap on Mr. Wang’s network and expertise in the water industry and explore potential asset injection opportunities from Mr. Wang that will allow the group to generate recurring income stream from Build-Operate-Transfer or Build-Operate-Own water treatment asset or concession (page 6 of the annual report).

On 3 April 2018, Mr. Wang was appointed to the board as the Non-Executive Deputy Chairman of the Board and as Chairman of the Investment Committee.

- a) **Could the Chairman and Managing Director, Mr Thye Kim Meng, re-affirm his commitment to the group as his personal interests in the company has been further diluted?**
- b) **What are the group’s priorities and targets in the financial year?**
- c) **In addition, can the board elaborate further/restate the group’s strategic growth plans? Has there been any discussion with Mr Wang regarding the company’s mission and operational focus?**
- d) **Would the board confirm that there has been a change in controlling interest?**
- e) Pursuant to Rule 803 of the Listing Manual, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in general meeting. **Would the board explain why there was no resolution for shareholders to vote on the transfer of a controlling interest?**

Under the Singapore Code on Take-overs and Mergers (Code), any person who acquires 30% or more of the voting rights of a company will trigger a mandatory offer. The Code recognises that it is impracticable to devise rules in sufficient detail to cover all circumstances which can arise in take-over or merger transactions and thus persons engaged in such transactions must observe both the spirit and the precise wording of the General Principles and Rules [emphasis added].

- f) **Can the board explain why, in the spirit of the Code, the acquisition of a 29.5% stake in the company would not been seen as a deliberate move to avoid a mandatory offer and thus in the spirit of the Code, a mandatory offer should be made?**

**Q2.** Following the disposal of the 60% equity interest in Darco Youli Co., Ltd, the group has exited the Taiwanese market completely but it is venturing to a new market, Vietnam, where the group will focus on Public-Private-Partnership water infrastructure projects.

Based on the Darco Ba Lai Utility Water Supply Project that was announced by the company on 20 July 2017, the project requires a total investment of US\$11.7 million and is expected to be completed in 18 months.

Other than the Vietnamese project, the group is also involved in several major projects, such as the industrial wastewater treatment project and pneumatic waste conveyance project in Singapore, the landfill gas recovery and conversion project in Indonesia.

- a) **Please help shareholders understand the size and the level of expertise of the group’s technical, engineering and project management teams so that shareholders are assured that the group will not be overly stretched in trying to deliver all these major projects.**

- b) What is the total investment required for all the projects on hand? How is the group going to fund all these projects simultaneously? Are the current resources sufficient or would the company require further fund raising?**
- c) Has the board reviewed and improved the project management/risk management framework and internal controls to ensure that projects will not suffer from cost-overrun and can be delivered on time?**
- d) Can the board also elaborate further on the due diligence that has been carried out beforehand, including the level of commercial due diligence to understand the dynamics of the new markets, the technology risks, counter-party risks and the regulatory risks?**

**Q3.** As announced on 12 March 2018, and even before the placement to Mr Wang Zhi was completed, the company announced that it has been informed that Wang Zhi has recently disposed of his entire interests in the Sishui Wastewater Treatment Plant and the Cao Xian Water Supply Project.

In the deed of undertaking as part of the Condition Precedent for the placement to Mr Wang Zhi, Mr Wang has undertaken to procure the transfer of a Build-Transfer-Operate or Build-Operate-Own water treatment asset or concession.

These two are part of the 4 projects held by Mr Wang Zhi, directly or indirectly, that could come under the deed of undertaking.

- a) Would the board clarify if it was Mr Wang who had informed the company directly? When was the company informed and when did the disposal take place?**
- b) Would the board further elaborate if this would limit the options available to the company? Has management started the discussion on the planned asset acquisition?**
- c) Did the board negotiate for a Right of First Refusal for these assets?**