



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Darco Water Technologies Limited

Stock code: BLR

Meeting details:

Date: 25 April 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Revenue for the financial year ended 31 December 2021 decreased by 30% to \$54.6 million. This was attributed mainly to lower revenue from the Engineered Environmental Systems (“EE Systems”) segment as fewer engineering, procurement and construction (“EPC”) projects were secured in Malaysia and China in FY2021.

Net loss for the year was \$(7.3) million compared to a net profit of \$1.3 million in FY2020. The group has three operating and reportable segments – EE Systems, Water Management Services (“WM Services”) and Trading.

26. SEGMENT INFORMATION (Continued)

Business segments

The information for the reportable segments for the financial years ended 31 December 2021 and 2020 is as follows:

2021	EE Systems \$'000	WM Services \$'000	Trading \$'000	Eliminations \$'000	Total \$'000
Revenue					
Sales to external customers	38,969	6,864	8,719	-	54,552
Inter-segment sales	-	-	678	(678)	-
Total	38,969	6,864	9,397	(678)	54,552
Assets					
Segment assets	60,801	3,740	5,984	-	70,525
Liabilities					
Segment liabilities	39,305	1,073	2,079	-	42,457

Geographical segments (Continued)

	Revenue	
	2021 \$'000	2020 \$'000
PRC	26,372	40,728
Malaysia	18,185	26,104
Singapore	7,893	10,267
Vietnam	1,568	214
Other countries	534	769
	54,552	78,082

(Adapted from company annual report)

- (i) **For the benefit of shareholders, can management provide greater clarity on the group’s value proposition in the three operating segments? How does management create and capture value for shareholders?**
- (ii) **What is the targeted capital allocation between the EE systems, WM services and trading segments going forward? In terms of geographical areas, where will the group be committing most of its human resources and capital?**
- (iii) **What are the existing projects and/or order book on hand in the EPC segment? What is the group’s competitive advantage in EPC?**
- (iv) **Vietnam (Ba Lai water supply project): What are remaining milestones before the operationalisation of the 15,000m³ water treatment plant?**

Q2. Would the board/management provide shareholders with greater clarity on the following financial and governance matters? Specifically:

- (i) **Alternative water treatment asset:** On 21 March 2022, the company announced that it decided not to proceed with an investment in the alternative water treatment asset as the investment would not be in the interest of or beneficial to the company. A notice of rejection was issued. The company stated that it will be reaching out to Mr Wang Zhi with regard to the compensation sum of \$2 million. **Can the company provide shareholders with an update on the compensation sum?** The compensation sum is due within 5 business days from the date on which the company delivers the notice of rejection to Mr. Wang Zhi.
- (ii) **Whistleblowing (Wuhan Kaidi Water Service Company (“WHKD”)):** **Are there any outstanding matters related to the whistle-blowing at WHKD?** The company published a summary of the key findings by Crowe Horwath First Trust LLP (“Crowe Singapore”) in the company’s update on 30 November 2021. **What is the level of oversight on the operational and financial matters of WHKD by the senior management in Singapore given that borders remain largely closed?**
- (iii) **Notice of compliance:** Similarly, are there outstanding matters from the notice of compliance issued by the Singapore Exchange Regulation (SGX RegCo) on 10 September 2021?

Q3. At the annual general meeting scheduled to be held on 25 April 2022, the company is seeking shareholders’ approval to re-elect all 5 directors who will be retiring at the AGM.

The profiles of the directors can be seen on pages 6 and 7 of the annual report.

Ms. Gn Jong Yuh Gwendolyn and Mdm. Ong Joo Mien Joanna were both first appointed to the board on 2 May 2019. The two executive directors and Mr. Sim Guan Seng, as independent chairman, were appointed to the board between 30 June 2021 and 1 September 2021.

Additional information on directors seeking re-election can be found on pages 51 to 62 of the annual report.

The independent directors collectively have professional experience in auditing, legal and finance.

- (i) **Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

- (ii) **Can the NC help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in engineering, procurement, water and waste treatment and business experience in Vietnam, Indonesia and China to engage in effective and constructive debate with the executive directors?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)