

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C

ADDITIONAL INVESTMENT IN PT DARCO INDONESIA

The Board of Directors of the Company wishes to announce that Darco Environmental Pte Ltd ("DNV"), its wholly-owned subsidiary, had on 11 October 2006 increased its investment in the capital of PT Darco Indonesia from US\$75,000 to US\$553,623 by way of capitalisation of its intercompany loans extended to the latter. This additional investment was concurrent with increase in the same by Mr Kris Widodo of his investment from US\$25,000 to US\$97,698 and a new investment of US\$432,214 via cash injection by Mr Cholid Bawair, an Indonesian businessman. As a result, the issued and paid-up capital of PT Darco Indonesia increased from US\$100,000 to US\$1,085,535 by way of issuance of new shares.

Prior to the aforesaid, DNV owned 75% of PT Darco Indonesia with Mr Kris Widodo, its Managing Director, holding the balance 25% stake. Following the aforementioned capital expansion, DNV owns 51% of PT Darco Indonesia with Mr Cholid Bawair and Mr Kris Widodo holding 40% and 9% respectively.

Our directors are of the view that the above exercise has enhanced the ability of PT Darco Indonesia to source for and fund new water treatment projects in Indonesia following the cash investment by Mr Cholid Bawair in that company.

DNV's additional investment in PT Darco Indonesia is driven by its need to maintain majority management and operational control of the latter in order for the Group to further pursue the Group's long term strategic interests in Indonesia.

Mr Cholid Bawair is an established businessman in Indonesia and particularly interested in participating in Build-Operation-Transfer ("BOT") water treatment projects in Indonesia. He is expected to play a key role in sourcing for such deals for PT Darco Indonesia and be instrumental in procuring the necessary project funding from the local financial institutions going forward.

Effect on the earnings per share and tangible net assets per share for the current fiscal year ending 31ST December 2006

The transaction is not expected to have a material effect on the Company's earnings per share and tangible net assets for the current fiscal year ending 31st December 2006.

Director's or substantial shareholder's interest

None of the directors or the substantial shareholders of the Company has any interest, direct or indirect, in the transaction.

BY ORDER OF THE BOARD
DARCO WATER TECHNOLOGIES LIMITED

Submitted by Yap Keck Meng, Financial Controller to SGX on 28/11/2006