

DARCO WATER TECHNOLOGIES LIMITED

Registration No: 200106732C

(Incorporated in Singapore)

Clarification on Full Year 31st December 2006 Results Announcement

In response to the e-mail from the Singapore Stock Exchange Securities Trading Limited dated 2nd March 2007, the Board of Directors of Darco Water Technologies Ltd wishes to provide the following additional information in relation to the full year financial statement announcement for the year ended 31 December 2006 (“FY2006 Results”) as follows:

SGX Query:

We note in the Profit and Loss Statement, “Foreign exchange adjustment gain” for the year ended 31 December 2006 amounting to S\$0.830 million, which is a 300% change from the foreign exchange adjustment loss of S\$0.414 million for the year ended 31 December 2005. To disclose the details and nature of the underlying items and factors which caused this change.

Our Reply:

The Group secured a new syndicated loan facilities aggregating US\$21 million and S\$4 million on 20th November 2006 as announced to the SGX on the same date.

The Group partially utilized the proceeds from these facilities to refinance borrowings totalling some US\$12.50 million under earlier syndicated facilities obtained in March, 2004 and February, 2006 respectively.

The foreign exchange gain arose as a result of the appreciation in US\$ vis-à-vis S\$ during the year from approx \$1.667 / US\$1 as at 31 December 2005 to approx S\$1.540 / US\$1 as at 14 December 2006, the date of full settlement of the aforementioned borrowings. .

Breakdown of the exchange gain of S\$0.83 millions for the year ended 31st December 2006 is set out as follows:

Exchange gain arising from settlement of long term borrowings	S\$0.69 million
Exchange gain arising from settlement of short term borrowings	S\$0.25 million
Subsidiaries’ realized and unrealized exchange losses	<u>(S\$0.11 million)</u>
	<u>S\$0.83 million</u>

BY ORDER OF THE BOARD
DARCO WATER TECHNOLOGIES LIMITED

Submitted by Thye Kim Meng, Director on 6/3/07 to the SGX