

MEDIA RELEASE – FOR IMMEDIATE RELEASE

Darco Water to invest US\$20m in second BOT Project in Deqing, PRC

- Signed Agreement for second Build-Operate-Transfer (“BOT”) drinking water treatment project from Deqing County Government
- Total investment for both BOTs in Deqing is US\$27.9m (S\$44.6m) with US\$6 million (S\$9.6 million) still in plan.
- Current outstanding orderbook of S\$400m

Singapore, 28 November 2006 – SGX Sesdaq-listed Darco Water Technologies Limited (“Darco”, or “Group”) is pleased to announce that Darco Environmental Pte Ltd (“DNV”), a wholly-owned subsidiary of the Group, has obtained final approval from Deqing County Government for its second Build-Operate-Transfer (BOT) project in Deqing, PRC. The Group has subsequently entered into a Water Purchase Agreement with Zhejiang Deqing Water Company.

Previously in May 2006, Darco announced its intention to invest US\$6 million (S\$9.6 million) to build an extension to an existing 60,000 m³/day BOT water treatment plant¹ commissioned by the Company in April this year and a further US\$12 million (S\$19.2 million) for a second 100,000 m³/day BOT water treatment plant.

At the time total revenue contribution from both developments was estimated to be up to S\$180 million over 15 years. However, with the approval from the Deqing County Government, Darco has since revised its investment for the second BOT water treatment plant from US\$12 million to US\$20 million (S\$32 million). The USD

¹ Investment for this existing 60,000 m³/day BOT water treatment plant is USD 7.9 million, or S\$12.6 million

6 million investment remains outstanding. With the increase in investment sum, total revenue contribution from both developments is expected to rise in tandem. The second plant alone is expected to yield a total revenue of RMB 1.2 billion over 25 years. Darco's current order book now amounts to over S\$400 million which provides the Group with strong earnings visibility up to 25 years.

DNV will incorporate a wholly owned corporate entity in PRC for the purpose of undertaking, owning, maintaining and operating this new potable water treatment plant in Qian Yuan town, Deqing, for a concession period of 25 years. The plant will supply water to residents and industries, with the major user of the water being a large Japanese-owned beer manufacturing facility to be built in the Deqing County.

The Deqing County Government has requested that the construction of this potable water treatment plant be put on fast track basis to meet the pressing water needs for its rapid industrial development and is normally expected to take about 2 years to complete. However, the supply of potable water from this plant could be made possible in the first quarter of 2008 if put on a fast track basis.

Chief Executive Officer Mr K.M. Thye said, " While BOT projects are viable and attractive propositions, however, in China, administrative peculiarities and project execution difficulties as well as political risks must be properly addressed. Our experience has shown that they are not insurmountable. We are pleased that the Deqing County Government has given us the green light to proceed with the investment in a second water treatment plant in Deqing."

Mr Thye added, "We are also confident that this development in Deqing will bear witness to Darco's strong management team and the excellence of Darco's core expertise in providing integrated engineering and knowledge-based water treatment and environmental engineering solutions. This project will also provide Darco with an additional strong and steady revenue stream for 25 years."

The Group expects to have sufficient funding for its investment in this plant, partly from the syndicated loan facilities of US\$21 million (S\$4 million) recently obtained, internal resources and project financing borrowings. The investment in the BOT project is not expected to have a material impact on the earnings per share or net tangible assets of Darco for FY2006.

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About Darco Water Technologies

Listed on SGX Sesdaq in July 2002, Darco is a provider of integrated engineering and knowledge-based water treatment and environmental engineering solutions. It was established in 1999 to design, fabricate, assemble, install, commission and service engineered water systems for industrial use in Singapore and Malaysia. Darco has since expanded its technical capabilities and developed systems and services based on membrane, ion exchange, thermal and vacuum technologies. Within a span of about five years, Darco has formulated over 200 engineered water and environmental systems solutions.

The Group, which has operations in Singapore, Malaysia, the PRC, Taiwan, Philippines and Indonesia, serves companies across diverse industries – electronics, semiconductor, power generation, chemicals, petrochemicals, food and beverage and pharmaceuticals.

Information on Deqing County, Zhejiang Province, PRC

Covering an area of 947 square kilometers and some 180 km west of Shanghai, Deqing county is located in the Zhejiang Province, PRC and can be reached in approximately 30 minutes by car from Hangzhou, the provincial capital of Zhejiang Province. Deqing county has a population of around 450,000 and 16 townships under its administration.

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