

**PRESS RELEASE -- FOR IMMEDIATE RELEASE**

## **Darco Water achieves broad-based revenue growth in all business segments**

- Revenue rose 25% to S\$68.9 million while gross profit remained stable at S\$17 million
- Net profit was lower at S\$2.1 million due to a one-off administration expense of S\$2.6 million. Excluding this one-off item, net profit would be S\$4.6 million
- Huge orderbook of more than S\$400 million to propel growth from 2007 onwards

Singapore, 28 February 2007 – SGX Sesdaq-listed Darco Water Technologies Limited (“Darco” or “the Group”) has achieved broad-based revenue growth in all its business segments for the financial year ended 31 December 2006. Revenue grew 25% to S\$68.9 million, despite facing a slowdown in the electronic and semiconductor sectors, leading to reduced industrial sales in People’s Republic of China (“PRC”) in 2H2006.

**Financial Highlights**

| (S\$'000)                               | FY2006 | FY2005 | % Change |
|---|--------|--------|----------|
| Revenue                                 | 68,905 | 55,251 | 25       |
| Gross Profit                            | 17,043 | 17,204 | (1)      |
| Net Profit                              | 2,082  | 5,720  | (64)     |
| Earnings Per Share<br>(Singapore cents) | 1.29   | 3.06   | (58)     |

## **FY2006 Financial Review**

The Group achieved broad-based revenue growth in FY2006, with the majority of it coming from the Group's Engineered Environmental Systems ("EE Systems") business. Sales from this business division saw an increase of 24.7% to S\$54.7 million, contributing 79.4% to total turnover. Within EE Systems, the municipal sector performed well with a 148% increase while the industrial sector saw a reduction of 25%. Geographically, the robust revenue increase for EE Systems came largely from the Taiwan and Malaysian markets, collectively accounting for 84.6% of the Group's revenue in FY2006.

Revenue from the Group's Water Management Services ("WM Services") division contributed 16.5% to the Group's revenue as it grew 24.3% to S\$11.4 million -- due to revenue obtained from the Group's recently completed Deqing Build-Operate-Transfer ("BOT") project during the year. Likewise, the Group's Trading division saw revenue increased 25.4% to S\$2.8 million in FY2006.

Increased business activities in FY2006 have led to an increase of S\$0.6 million to S\$3.7 million for selling and distribution expenses, due to the Group's pursuit of potential new clients in China, Indonesia, Thailand and Vietnam.

Administrative expenses for the Group increased to S\$8.5 million in FY2006, due to higher staffing costs and an one-off administrative charge incurred for obtaining the new syndicated loan facility of US\$21 million and S\$4 million during the year.

## **Company Prospects -- A Better 2007 ahead**

Chief Executive Officer Mr K.M. Thye said, "Despite the challenging market conditions the Group faced in the second half of FY2006, we are optimistic about our two municipal turnkey projects in Hsin Chu and Chu Bei City, Taiwan. We believe that these, together with the two new BOT water treatment plants in

Deqing, will start to contribute towards the Group's revenue from FY2007 onwards."

Mr Thye further added, "Since 4Q2006, there has been significant demand for industrial water in the power and the electronic & semiconductor sectors. We expect to close a number of these orders for delivery in 2007. When the accumulated orders become significant, an announcement will be made to update our shareholders, as consistent with past practice."

"We are also anticipating higher margins from the Group's Kerya project. With the completion of the civil construction work, gross profit margins from the municipal sector is expected to improve in FY2007 due to higher profit margin contributions arising from the mechanical and electrical work involved." Mr Thye concluded.

As at 31 December 2006, the Group's order book stood at S\$400 million, thanks largely to the major water projects in the pipeline. Notwithstanding the challenging business environment in its major markets, the Group expects to obtain more municipal contracts, particularly in Taiwan where it is building up its track record, as well as industrial projects in growth markets like China, Taiwan and South-East Asia, where it has an established presence.

-- The End --

### **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

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generation, chemicals, petrochemicals, food and beverage and pharmaceuticals.

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