

DARCO WATER TECHNOLOGIES LIMITED
(Registration Number: 200106732C)

DARCO GROUP INVESTS US\$20 MILLION INTO SECOND BOT (“BUILT-OPERATE-TRANSFER”) PROJECT IN DEQING COUNTY, ZHEJIANG PROVINCE, PEOPLE’S REPUBLIC OF CHINA (“PRC”)

The Directors of Darco Water Technologies Limited (“the Company”) are pleased to announce that Darco Environmental Pte Ltd (“DNV”), a wholly-owned subsidiary of the Company, has received final approval from Deqing County Government to invest in a second water treatment plant in the County and has today entered into a Water Purchase Agreement with Zhejiang Deqing Water Company.

The Company shall invest US\$20 million, to build and operate a potable water treatment plant in Qian Yuan town, Deqing County and supply 100,000 cubic metres per day (CMD) of potable water to Deqing County during the concession period of 25 years.

This BOT project shall be the Group’s second capital investment in Deqing County. This closely follows on the heels of its first BOT project there, involving a 60,000 CMD potable water treatment plant which has been successfully commissioned and operating since earlier this year.

DNV shall incorporate a wholly-owned corporate entity in PRC for the purpose of undertaking, owning, maintaining and operating this potable water treatment plant. Said KM Thye, Darco’s Chief Executive Officer, “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.” He further added “This water supply shall be used by both domestic and industrial users in the county, including a large Japanese-owned beer manufacturing facility currently under construction there. The County government has requested that the project to be put on fast-track basis to meet the pressing water requirement of its rapid industrial development.”

Under the contract, construction of this potable water treatment plant is expected to take 2 years to complete. However, the supply of potable water from the said plant could be possible in 1st quarter 2008 if it is put on a fast track basis. The project is expected to yield revenues totaling some 1.2 billion Chinese Yuan for Darco over the term of the contract. This pushes group outstanding order book to over S\$400 million.

The Darco Group expect that it has adequate funding for its investment in this project; partly from the proceeds of the US\$21 million / S\$4 millions syndicated loan facilities recently obtained, internal resources as well as project financing borrowings.

Director’s and Substantial Shareholder’s Interest

None of the substantial shareholders or directors of Darco has any interest, direct or indirect, in the investment of the said BOT project.

Financial Effect

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 the financial year ending December 31st 2006.

About Darco Water Technologies Limited

Listed on SGX Sesdaq in July 2002, Darco is a provider of integrated engineering and knowledge-based water treatment and environmental engineering solutions. Established in 1999 to design, fabricate, assemble, install, commission and service engineered water systems for industrial use in Singapore and Malaysia, Darco has developed systems and services based on both membrane and ion exchange technologies. Within a span of five years, Darco has formulated over 200 engineered water system solutions.

The Group, which has operations in Singapore, Malaysia, the PRC, Taiwan, Philippines and Indonesia, serves companies across diverse industries – electronics, semiconductor, textile, food and beverage, printed circuit board 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.

BY ORDER OF THE BOARD
DARCO WATER TECHNOLOGIES LIMITED

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