

## **FOR IMMEDIATE RELEASE**

# Darco Water's 1H06 net profit up 21% to S\$2.6m from 1H05

- ***1H06 revenue rises 38% to S\$30.9m***
- ***Revenue from municipal projects soars 153% to S\$16.5m***

**Singapore, 11 August 2006** – SGX Sesdaq-listed Darco Water Technologies Limited (“Darco” or “the Group”) increased its net profit for the six months ended 30<sup>th</sup> June 2006 by 21% to S\$2.6 million, on the back of a 38% rise in revenue to S\$30.9 million.

Revenue growth was mainly from Engineered Environmental Systems (“EE Systems”), whose revenue rose 64.3% to S\$28 million in 1H06. Within EE Systems, the star performer was the municipal sector. Revenue from this sector soared 153% to S\$16.5 million, due largely to the two new projects secured by the Group in the Taiwanese cities of Ker Ya and Chu Bei. As a result, the municipal sector accounted for 53.6% of total Group revenue in 1H06, compared to 29.3% a year ago.

The industrial sector, however, saw a modest 9.5% rise in revenue to S\$11.5 million, as slower growth in the electronics and semiconductor industry led to reduced industrial sales in China. Consequently, the industrial sector’s contribution to total Group revenue in 1H06 fell to 37.2% from 47.2% previously.

Chief Executive Officer Mr K.M. Thye said, “We expect the electronics and semiconductor industries to pick up in 2H06, after their slowdown affected our performance in 1H06. Despite the challenging business environment, the Group’s prospects for FY2006 are expected to remain positive, given our two on-going municipal projects in Taiwan, namely, the joint turnkey project with Leader Construction Co. in Hsin Chu City worth NT\$1.66 billion (S\$83.8 million) and the NT\$580 million (S\$29.3 million) project solely undertaken by the Group in Chu Bei City.”

<b>Financial Highlights</b>	<b>1H06</b>	<b>1H05</b>	<b>Change</b>
Revenue	S\$30.9m	S\$22.3m	38%
Net Profit	S\$2.6m	S\$2.2m	21%
Net Profit Margin	8.5%	9.9%	(1.4)% points
Earnings Per Share	1.29 cents	1.10 cents	17.3%

The greater revenue contribution from the municipal sector also meant lower gross profit margin, which fell to 25.1% from 30.6% previously, since civil works normally enjoy lower margins than industrial sales.

Waste Management Services (“WM Services”) generated S\$2.2 million in revenue in 1H06, a 45% decline from a year ago, due to the completion of a major waste water management contract. Trading (Chemicals and others) also saw 1H06 revenue drop 49.2% to S\$0.6 million. However, WM Services and Trading are expected to improve in 2H06, as revenue from the Group’s Deqing Build-Operate-Transfer (BOT) project has started flowing in since 2Q06.

For the two Taiwan projects, the Group has obtained certain project financing facilities amounting to some S\$10.9 million, including a term loan facility of NT\$150 million (S\$7.6 million) in connection with the Hsin Chu project. The Group has also secured a project financing facility totaling NT\$262 million (S\$13.2 million) from ANZ Bank, Taiwan branch, in relation to the Chu Bei project.

While executing the two Taiwan projects, the Group has signed letters of intent for two new developments in Deqing, China, with a total estimated revenue of up to S\$180 million over 15 years. These new developments will provide Darco with an additional strong and steady revenue stream for the next 15 years.

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

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