

Darco Water signs letters of intent for 2 new developments in Deqing with total revenue value of up to S\$180m over 15 years

- *First project, with an estimated investment of US\$6m (S\$9.6m) and total recurring revenue of S\$4-5m per year, is second phase of existing 60,000m³/day BOT project*
- *Second project, with an estimated project investment value of US\$12m (S\$19.2m) and total recurring revenue of S\$5.5-7.0m per year, is to supply 100,000m³/day of water to residents and industries, including a large planned brewery*
- *Existing project, officially commissioned on April 28, will contribute S\$4-5m in revenue annually for 22 years*

Singapore, 2 May 2006 – SGX Sesdaq-listed Darco Water Technologies Limited (“Darco” or the “Company”) has signed letters of intent for two new developments in Deqing, China. This comes hot on the heels of the commissioning of Darco’s first Build-Operate-Transfer (BOT) project in Deqing.

The first letter of intent is for building an extension to the existing BOT project. This second phase of the current BOT project will be of the same size as the first, namely a capacity to produce 60,000 cubic meters of water a day. Darco plans to invest US\$6m (S\$9.6m) in the project and expects to reap total revenue of S\$60-75m over 15 years, or S\$4-5m per year.

The second letter of intent is for a BOT water treatment project with a capacity to produce 100,000 cubic meters of water a day. The estimated cost of investment for this second project is US\$12m (S\$19.2m). The plant will supply water to residents and industries, with the major user of the water being a large brewery to be built in Deqing. The total revenue from the project is S\$82.5-105m over 15 years, or S\$5.5-7.0m per year.

The two letters of intent were signed a day after Darco held an official ceremony for the commissioning of its first BOT water project in Deqing. Darco has invested US\$7.9 million (S\$13.2 million) in the project through its subsidiary Globe Industrial Technology Company (HK) Ltd. It formed a Cooperative Joint Venture Company with Deqing Water Producing Company to undertake the project on 18th September 2002. With the commissioning, the first BOT project will contribute S\$4-5 million in revenue annually for 22 years.

Chief Executive Officer Mr K.M. Thye said, "It is a testimony to the top notch quality of our project execution for the first BOT project that the Deqing authority has signed letters of intent with us for not just one but two new developments. We are confident that these two new developments will also stand testimony to the excellence of Darco's core expertise in providing integrated engineering and knowledge-based water treatment and environmental engineering solutions. They will also provide Darco with an additional strong and steady revenue stream for the next 15 years."

Subject to obtaining bank financing and securing political risk insurance from the World Bank's Multilateral Investment Guarantee Agency (MIGA) for the two new developments, the contracts shall be concluded within 6 to 9 months' time.

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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.

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