

DARCO WATER TECHNOLOGIES LIMITED
(Registration Number:200106732C)

UPDATE ON DEQING 60,000 M3/DAY POTABLE WATER PROJECT AND NEW DEVELOPMENTS BETWEEN DARCO AND DEQING WATER COMPANY

The Board of Directors of Darco Water Technologies Limited (“Darco” or the “Company”) wishes to provide an update on the Group’s first Build-Operate-Transfer (“BOT”) potable water project in Deqing, Zhejiang, China and new developments there.

The said 60,000 m³/day project has been commissioned at an official ceremony held in Deqing on 28th April 2006. Hot on the heels of this commissioning, the Group signed letters of intent for two new developments in Deqing, which will together yield total revenue of S\$142.5-180m over 15 years.

The first letter of intent is for building an extension to the existing BOT project. This second phase of the current BOT project will have the same size as the first, namely a capacity to produce 60,000 cubic meters of water a day. Darco’s planned investment in the second phase is approximately US\$6m (S\$9.6m). It is expected to generate a further aggregate revenue of approximately S\$60m to S\$75m over 15 years (or approximately S\$4m to S\$5m per year) once it is completed and commissioned.

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 investment for this second project is US\$12m (S\$19.2m), with the projected total revenue approximating S\$82.5m to S\$105m over 15 years (or approximately S\$5.5m to S\$7.0m annually) upon its completion and commissioning. The plant will supply water to residents and industries including a large brewery to be built and owned by foreign investors in Deqing.

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.

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

Financial Impact

The abovementioned letters of intent are expected to have no material impact on the earnings of the Group for the financial years ending 31 December 2006.

Director’s and Substantial Shareholder’s Interest

None of Darco’s Directors or substantial shareholders has any direct or indirect interest in the Contracts.

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About MIGA

A member of the World Bank Group, MIGA is mandated to promote foreign direct investments into developing countries and provides investment guarantees against certain non-commercial risks (ie. political risk insurance) to eligible foreign investors for qualified investments in developing member countries.

In the present instance, MIGA has furnished Darco Environmental Pte Ltd (a wholly-owned subsidiary of Darco and the immediate parent company of Globe) with an investment guarantee amounting to 90% of the latter's investment in the subject project.

About Darco Water Technologies Ltd

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.

BY ORDER OF THE BOARD
DARCO WATER TECHNOLOGIES LIMITED

Thye Kim Meng
Director