

Darco Water posts S\$33.3 million revenue in 1H2009 amid downturn

- Positive turnaround of net-cash generated from operations of S\$6.9 million
- WM Services segment increased 20.0%; expects to perform positively in the next 12 months
- Second BOT plant to contribute positively to FY2010 revenue upon completion at end 2009
- Expects slowdown in new projects from Taiwan's municipal sector due to uncertain global economic conditions

Singapore – 13 August 2009 – Mainboard-listed Darco Water Technologies Limited (the "Company" or "Darco" or the "Group") announced its 1H2009 results with revenue of S\$33.3 million and net loss of S\$853,000 largely due to the slowdown of public tenders in Taiwan as a result of a change in the Taiwanese Government last year.

Executive Chairman and Chief Executive Officer, Mr. Thye Kim Meng, elaborates:

"Following the change in the Taiwanese Government last year, we are experiencing a change in public policies, where most of the infrastructure projects will be re-modeled from Engineering-Procurement-Construction (EPC) basis to Build-Order-Transfer (BOT) basis. As such, we are currently witnessing fewer projects being offered as public tenders.

However, we are still optimistic that our Water Management segment will continue to perform positively in the next 12 months given the cash inflow coming from our first BOT plant in Deqing County and maiden contributions from the second BOT plant starting next year, as well as from continued operations and maintenance contracts from our customers in the private sector."

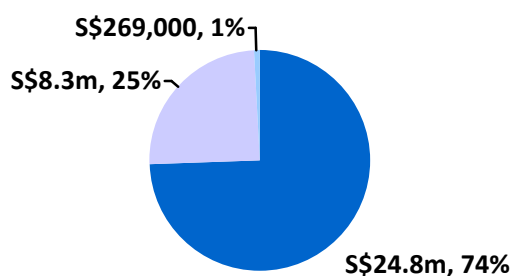
1H2009 Financial Highlights

Description	1H2009 (S\$'000)	1H2008 (S\$'000)	Change %
Revenue	33,349	51,130	(35)
Gross Profit	6,825	10,272	(34)
Gross Profit Margin	20.5%	20.1%	-
Profit before tax	(350)	3,513	(110)
Net profit attributable to shareholders	(1,195)	1,874	(164)
Net cash generated from operating activities	6,940	(17,263)	-

As a result of strong cash collection, the Group posted a positive S\$6.9 million net cash generated from operating activities in 1H2009, a significant turnaround from S\$1.9 million net cash used in operating activities in the corresponding year.

1H2009 Segmental Review

Business



■ Engineered Environmental Systems (EE Systems) ■ Water Management Services (WM) ■ Trading

Revenue contributions by Engineered Environmental Systems (“EE Systems”) segment decreased YOY by 43.0% to S\$24.8 million in 1H2009 due to significant drop in construction activities in the municipal sector driven by the restructuring of public projects. Notwithstanding the decrease, EE Systems remained as the lead contributing segment, accounting for 74.0% of 1H2009 revenue; out of which, 29.5% of contribution came from municipal projects.

Water Management Services (“WM Services”) segment saw a YOY 20.0% increase in contributions to S\$8.3 million in 1H2009, chiefly due to service revenue derived from the supply of potable water from the Group’s BOT plant in Deqing County, China, as well as contributions from waste management projects in Taiwan.

Geographical

In 1H2009, China increased its contributions to S\$11.6 million or 34.8% of total revenue mainly due to service revenue derived from the BOT project in Deqing County.

Affected by the slowdown in Taiwanese public projects, contributions from the Group’s largest contributing market decreased to S\$8.7 million or 25.9% of 1H2009 revenue. Contributions from Malaysia, Darco’s second strongest market, also decreased to S\$7.1 million or 21.2% of 1H2009 revenue given slowdown of new projects from its multi-national customers (MNCs) in the electronics and semi-conductor sectors.

Near-term Outlook

Considering the global economic crisis, the near-term outlook of the Group continues to remain uncertain.

“Although we are reviewing and negotiating several projects at this point of time, we are still unable to predict with any certainty that our customers are going to proceed with their plans in view of the uncertain global economic conditions.

Nevertheless, we strongly believe that our diversity in customer base and offerings will tide us through the economic downturn. In fact, we have just signed a S\$13.1 million loan facility with UOB Bank Shanghai despite the tight credit environment, clearly reflecting trust in Darco’s business fundamentals and future growth.

Despite the short-term challenges, we remain positive of Darco’s long-term growth potential”, continues Mr. Thye.

In response to the restructuring of public projects pertinent to Taiwan’s municipal sector, the Group has made the necessary strategic changes. It has identified several suitable BOT projects in Taiwan, and has, for example, recently entered into an exclusive

negotiation for a US\$208 million sewerage system project with the Taoyuan County Government.

Mr. Thye says, “*The Group does not rule out inviting interested parties to partner with Darco to exploit the Group’s well-established presence in Taiwan. We understand that to be successful in BOT projects, our funding activities must also intensify in tandem with increasing marketing efforts.*”

Lower revenue contribution from the municipal sector in Taiwan is expected in the next 12 months given slowdown of new projects and lower existing order-book from the municipal sector.

- End -

About Darco Water Technologies Limited

Listed on SGX in 2002, Darco is a provider of integrated engineering and knowledge-based water treatment solutions. Established in 1999 to design, fabricate, assemble, install, commission and service engineered water systems for industrial use in Singapore and Malaysia, the Group has since expanded into soil remediation and solid-waste recycling in Taiwan.

The Group, which has operations in Singapore, Malaysia, the PRC, Taiwan, Philippines and Indonesia, serves companies across diverse industries – electronics, semiconductor, power, textile, food and beverage, printed circuit board, solar-energy and pharmaceuticals, and takes on municipal water and wastewater projects.

For more information, please refer to www.darcowater.com

Issued for and on behalf of Darco Water Technologies Ltd.

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