

Press Release

Darco Water registers a net profit of S\$4.1 million for FY2016

- Revenue surged 126.0% to S\$60.6 million mainly due to higher contribution from Engineered Environmental Systems and trading of chemical and spare parts segment
- Gross profit increased 79.8% to S\$13.8 million mainly attributable to the contribution from newly acquired entity, Wuhan Kaidi Water Services Co. Ltd.
- Coupled with the expertise of the latest acquired entity, Wuhan Kaidi, the Group is well-poised to for next phase of growth

Singapore, 27 February 2017 – SGX Mainboard-listed Darco Water Technologies Ltd (“Darco”, together with its subsidiaries, the “Group”), a one-stop and customised water and wastewater solutions provider, registered a net profit of S\$4.1 million for the financial year ended 31 December 2016 (“FY2016”) from a net loss of S\$0.8 million for the financial year ended 31 December 2015 (“FY2015”).

Financial Highlights

Financial Highlights (S\$' million)	FY2016	FY2015	Change
Revenue	60.6	26.8	126.0%
Gross profit	13.6	7.7	76.6%
Gross profit margin	22.4%	28.7%	(6.3p.p)
Net profit	4.1	(0.8)	n.m
Net profit margin	6.7%	(3.0%)	n.m
EPS (cents)*	6.38	(1.78)	n.m

p.p denotes percentage point

*Based on weighted average number of 41,293,262 shares for FY2016 and 30,947,305 shares for FY2015

Revenue surged by S\$33.8 million from S\$26.8 million in FY2015 to S\$60.6 million in FY2016 mainly due to higher revenue contribution from Engineered Environmental Systems and trading of chemical, spare parts segment.

Gross profit increased by 76.6% to S\$13.6 million largely due to contribution from Wuhan Kaidi Water Services Co. Ltd (“WHKD”) of S\$6.0 million. The gross profit margin decreased from 28.7% in FY2015 to 22.4% in FY2016 as the Group secured more projects at lower margin in order to maintain competitiveness in China and Malaysia.

Other income increased by S\$3.9 million to S\$4.7 million in FY2016 mainly attributable to the “Gain on bargain purchase”, arising from the acquisition of WHKD, increase in income in the form of government grants received by the China subsidiary for the defraying of research and development costs as well compensation income from the supplier in China for the failure in fulfilling the supplier contract further contributed to “Other income”.

Administrative expenses increased from S\$7.6 million in FY2015 to S\$11.5 million in FY2016. This was mainly due to the S\$3.7 million of administrative expenses from WHKD.

As a result of the above factors, the Group recorded a net profit of S\$4.1 million in FY2016 compared to a net loss of S\$0.8 million in FY2015.

The Group’s balance sheet remained healthy with cash and cash equivalents of S\$8.2 million as at 31 December 2016.

Outlook

Mr. Thye Kim Meng, CEO of the Group, said, **“We are pleased to deliver a satisfying set of results this year amidst challenging business environment. Our newly acquired entity, Wuhan Kaidi has greatly contributed to our financial results, as well as our geographical footprint and capabilities. This further demonstrates the effectiveness of the strategies that we have been adopting for the past one year to enhance our profitability and improving business outlook.**

Moving ahead, we remained committed to further enhancing our research and development efforts to stay at the forefront of the industry. With the Group’s strong technology capabilities, together with Wuhan Kaidi’s technical expertise, the Group is well-poised for the next phase of accelerated growth.”

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About Darco Water Technologies Ltd.

Established in 1999, Darco Water Technologies (the “Group”) is a one-stop and customized water and wastewater solutions provider which was listed in July 2002 and upgraded to SGX mainboard in May 2008. The Group designs treatment processes using membrane and ion exchange technologies that are available in the market. The Group also designs, manufactures and services water and wastewater systems for a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverage.

While the Group’s strength lies in its industrial water business in the electronic and semiconductor sector, its latest acquired entity, Wuhan Kaidi Water Services Co. Ltd. (“Wuhan Kaidi”) is a dominant water treatment and management specialist in the power sector. Wuhan Kaidi commands 22 years of track record supplying water and waste treatment systems, and has carried out over 600 projects to-date. The Group has regional presence in China, Malaysia, Thailand, Indonesia, Vietnam, Taiwan, Philippines and Singapore.

**Issued for and on behalf of Darco Water Technologies Ltd.
by Financial PR Pte Ltd**

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