



NEWS RELEASE

HYFLUX DELIVERS 15% RISE IN Q1 NET PROFIT

- **Cost control and margin management show results**
- **Asian markets will continue to be key revenue drivers; China and Singapore now account for 61% of Q1 revenue**
- **Successful S\$400 million perpetual cumulative Preference Share offering strengthens Group's competitiveness for larger, higher-value projects**

Singapore, 5 May 2011 – Mainboard-listed Hyflux Ltd (“Hyflux” or “The Group”) posted a 15 % increase in profit after tax and non-controlling interests of S\$7.4 million for the first three months ended 31 March 2011 from S\$6.4 million in the first three months a year earlier.

The higher net profit was achieved despite a 14% drop in total revenue for the first quarter to S\$86.8 million due largely to the effectiveness of the Group's cost management strategies and growth in gross margin.

The Group registered significant improvement in gross margin to 51% in the first quarter of FY2011 compared to 41% in the same period in FY2010.

China and Singapore constitute 61% of revenue

In the first three months of FY2011, contributions to Group revenue were broad-based. China accounted for 40% of total revenue, driven by higher sales in both the municipal and industrial sectors, while Singapore and Others provided 21% of revenue, mainly from the Group's current projects in Singapore.

“The better performance of the Chinese market came through as we re-aligned our focus to take advantage of the increased opportunities in the Chinese water sector and the higher demand for water by industrial parks around China,” said Ms Olivia Lum, Group President & CEO of Hyflux Ltd.

The Middle East and North Africa (MENA) markets contributed approximately 39% of total revenue, down from 78% in the first quarter in FY2010. The lower revenue contribution was anticipated as a couple of large-scale projects have approached the final stages of the engineering, procurement and construction (EPC) works.

In fact, the desalination plant at Tlemcen was officially inaugurated by Mr Youcef Yousfi, the Algerian Minister of Energy and Mining and Mr Abdelmalek Sellal, the Algerian Minister of Water Resources, on 17 April 2011.

China and Singapore projects to drive performance

Going forward, the Group's projects in Singapore and China will be expected to drive financial performance. A total of S\$850 million worth of projects in Singapore and China were secured in the first three months of the current financial year.

On 6 April 2011, Hyflux through its wholly-owned subsidiary, Tuaspring Pte Ltd, sealed a 25-year Water Purchase Agreement with PUB, Singapore's national water agency, to supply desalinated water from Singapore's second and largest seawater reverse osmosis (SWRO) desalination plant which Hyflux will be developing on a Design, Build, Own and Operate (DBOO) model. Hyflux will also operate and maintain this 318,500 m³ per day desalination plant upon its completion in 2013. The desalination plant together with an on-site 411MW power plant has a combined EPC value of S\$750 million. This project will feature the world's second largest ultrafiltration membrane pre-treatment installation, comprising Hyflux's proprietary Kristal® membranes, for an SWRO plant. The first is also being built by Hyflux for the world's largest SWRO in Algeria.

In China, the Group will build on the momentum of its order book growth in the first quarter and the rising prospects in China's water sector where investments in water infrastructure projects are estimated to double from US\$30 billion in 2010 to US\$60 billion from 2011.

The commitment to intensify investments in water projects and to promote water conservation and efficiency of use as well as to tackle water pollution was clearly spelt out in a central policy document on water by the Chinese government. The comprehensive policy sets targets on water tariff reforms, with higher tariffs for heavy industrial and service industry users and a

progressive tariff structure for residential users. Local governments will also be held accountable to address local challenges facing water quality, water consumption and water pollution levels; while the Chinese banks will be encouraged to expand loans for water conservancy projects and water treatment facilities.

“China’s multi-pronged approach to tackle its water security issues will translate into opportunities for Hyflux where we already have an entrenched presence in the country, from coastal cities to inland provinces. We will have the flexibility to either invest in projects on our own or through our joint venture platforms,” said Ms Lum.

Hyflux in a stronger financial position

Hyflux’s recent S\$400 million 6% perpetual cumulative Class A Preference Share offering has strengthened the Group’s financial position further. As an additional financing option, the Preference Share issue will enable the Group to meet its expansion goals without dilution to its existing ordinary shareholders, and at the same time lower its net gearing ratio of 0.8 times as at 31 March 2011 to 0.5 times due to the stronger capital base.

“Hyflux has through the years demonstrated our ability to transform opportunities into projects that are innovative, cost-efficient and technologically advanced. We will continue to expand our capabilities to develop and deliver world-class larger and higher-value water and infrastructure projects, thereby enhancing returns for our shareholders,” said Ms Lum.

Emphasising that the Group takes a medium to long-term view in investments and seeks projects with stable and growing returns, Ms Lum added: “we will continue to exercise prudence in our investments and in the type of projects that we will undertake.”

Apart from China, India and Asean markets, Hyflux will explore opportunities globally including Australia and Latin America where there is an uptrend in demand for membrane-based technology solutions.

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About Hyflux

Hyflux is one of the world's leading fully-integrated water solutions companies, with operations and projects in Southeast Asia, China, India, the Middle East and North Africa.

Hyflux is committed to providing cost-effective, reliable and sustainable solutions in seawater desalination, water recycling, wastewater treatment, including membrane bioreactor (MBR) and potable water treatment.

Hyflux's track record includes Singapore's first water recycling plant and first seawater reverse osmosis (SWRO) desalination plant and China's largest SWRO desalination plant in Tianjin Dagang. The company is building the world's largest membrane-based seawater desalination plant in Magtaa, Algeria, and has also signed the Water Purchase Agreement for Singapore's second and largest seawater desalination plant in April 2011.

For more information, please visit www.hyflux.com

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