



## **NEWS RELEASE**

### **HYFLUX REPORTS S\$21.9 MILLION NET PROFIT FOR FIRST HALF**

- **Record order book of S\$2.1 billion**
- **Maintains interim dividend of 0.67 Singapore cents per ordinary share**
- **Strong balance sheet after successful issue of S\$400 million perpetual preference shares**

*Singapore, 4 August 2011* – Mainboard-listed fully-integrated water solutions company, Hyflux Ltd (Hyflux or the Group), turned in revenue and profit attributable to shareholders of S\$197.9 million and S\$21.9 million respectively for the six months ended 30 June 2011.

The revenue recorded in first half of the year was 18% lower compared to the revenue registered in the first six months of FY2010. This was mainly attributable to the timing difference between the decrease in contributions from the Middle East and North Africa (MENA) projects which are nearing completion and the start of construction works for the Tuaspring Desalination Plant in Singapore from the third quarter of 2011.

The net profit of S\$21.9 million for the first six months in FY2011 was a decline of 35% from the first six-month period in FY2010 due mainly to higher finance costs, higher tax rates and higher depreciation and amortisation. The higher finance costs were the result of increased borrowings to gear up for the development of Singapore's second desalination plant, while a more aggressive amortisation policy accounted for the increased amortisation expenses from S\$6.8 million in the first half of FY2010 to S\$9.9 million in the first half of FY2011.

### **Solid cash position, healthy order book**

The Group's cash position increased to S\$446.5 million as at 30 June 2011 from S\$222.3 million as at 31 December 2010. For the second quarter and first half of FY2011, net cash of S\$56.3 million and S\$2.0 million were generated from the Group's operating activities.

The Group's net gearing ratio stood at 0.08 times as at 30 June 2011 with the launch of the Class A Cumulative Perpetual Preference Shares in April 2011. The Group closed the quarter with a record order book of S\$2.1 billion.

The Board of Directors has recommended an interim dividend of 0.67 Singapore cents per ordinary share. This is equivalent to the interim dividend for the same period last year of 1.00 Singapore cent per ordinary share, adjusted for the bonus shares issue in December 2010.

### **Asia contributes 56% of total revenue**

The contribution from the China market to Group revenue in the first six months of FY2011 rose significantly to S\$70.7 million from S\$45.7 million in the same period last year due mainly to the increased activities in the municipal sector, where certain existing plants were undergoing capacity expansion. In addition, maiden contributions were received from the three water projects for Hechuan Industrial Park in Chongqing City which the Group was awarded early this year. As a result, the China market constituted 36% of total revenue in the first six months of FY2011, compared to 19% of total revenue in the first half of FY2010.

Similarly, Singapore and Others saw revenue contributions rising to 20% or S\$40.6 million of total revenue in the first six months of FY2011, from a mere 4% or S\$10.9 million previously. This was due primarily to the progress of projects in Singapore.

Conversely, contributions from the MENA market declined from S\$185.1 million in the first six months of FY2010 to S\$86.6 million or 44% of total revenue recorded in the same period in FY2011. The seawater reverse osmosis (SWRO) desalination plant in Tlemcen, Algeria has been completed and is delivering water at full capacity. The other SWRO projects in Algeria and Oman are at the closing stages of construction.

## **Outlook for the year**

“Our order book of S\$2.1 billion was the highest ever recorded. We will continue to explore new projects in fast-growing Asia,” said Ms Olivia Lum, Group President & CEO.

“China and Singapore will continue to be key contributors to revenue for the rest of the year. Work on the new projects in China that were awarded in the first two months of the year is expected to be ramped up. And since the ground-breaking of Tuaspring Desalination Plant on 5 July 2011, our project team is making good progress for the start of engineering, procurement and construction works. We expect maiden contributions from Tuaspring Desalination Plant in the second half,” said Ms Lum.

The fire that had broken out last week at the warehouse containing equipment for the Magtaa Desalination Plant would delay the completion of the plant by some nine months as new equipment and supplies would need to be procured. The cost of the damage was estimated at US\$50 million and Hyflux would be working with the insurers to investigate the cause of the fire and to make claims accordingly.

In recent months, the global outlook has become more uncertain as economic growth slowed and unemployment in the United States (US), Europe and Japan remained persistently high. The situation in the US and Europe could have adverse effects on the world economies. In addition, moderating growth and tighter fiscal and monetary policies in China may have negative impact on municipal infrastructure investments.

With a record order book, current low gearing and strong cash position, Hyflux is in a good situation to explore and capture large-scale water and related projects. The Group will ride on its reputation as a leading desalination supplier and leverage on its fully-integrated platform to bid for projects either singly or with its strategic partners.

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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 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 City. The Company is building the world's largest SWRO desalination plant in Magtaa, Algeria. Hyflux has also been awarded Singapore's second and largest SWRO desalination plant which will be developed on a design, build, own and operate model. For more information, please visit [www.hyflux.com](http://www.hyflux.com)

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