



NEWS RELEASE

HYFLUX CONTINUES TO DELIVER STRONG GROWTH IN 1QFY2005

- Revenue doubled to S\$24.2 million
- Net profit surged 250% to S\$14.7 million (*after FRS adjustments*)
- Middle East market leading revenue growth
- China remains a key growth market

	1QFY05 (S\$m)	1QFY04 (S\$m) *	Change %
Revenue	24.2	12.1	100
Profit Before Tax	14.7	4.2	250
Net Profit	14.7	4.2	250
EPS (cts)	2.84	0.90	216

Note:

* Figures for prior periods have been restated to reflect the adoption of new and revised accounting standards

Singapore, May 12, 2005 – Main Board-listed Hyflux Ltd (“Hyflux”), a leading regional player in water and fluid treatment systems with proprietary membrane technology, continues to sparkle with a sterling set of results for the first quarter ended March 31, 2005 (“1QFY2005”).

New orders from the Middle East contributed substantially to the doubling of Group revenue to S\$24.2 million in 1QFY2005. Net profit jumped 250% to S\$14.7 million for the same period.

Ms Olivia Lum, Group CEO and President, said: “I am delighted that Hyflux is able to deliver another quarter of strong growth. In particular, I am pleased that our efforts to penetrate the Middle East, a new market for us, are bearing fruits. The Middle East market will be one of Hyflux’s key growth drivers this year, with potential orders of about US\$340 million expected to be executed over the next three years.

“China continues to be a growth market, especially in the pharmaceutical, biotechnology, chemicals and petrochemicals as well as the municipal sectors.

“With positive long term market fundamentals driving the water industry worldwide, we are well on track for another year of growth to deliver our target average CAGR of 30% from 2003 to 2008,” she added.

Financial Review

The Group’s revenue growth in 1QFY2005 was mainly driven by its projects in the Middle East, which constituted 72% of total revenue. Its China sales represented 27% of total revenue and were primarily from the industrial sectors.

In line with the increased business activities, personnel expenses went up 32% to S\$2.1 million in 1QFY2005, against S\$1.6 million in the last corresponding quarter, because of additions to the Group’s workforce. Other operating expenses correspondingly rose 44% to S\$1.7 million for the same period, in 1QFY2005, compared with S\$1.2 million the previous year, mainly due to higher traveling and business development expenses as Hyflux expands further into the region.

Overall, net operating margins improved by 3% to 38% compared to the same period last year. Higher earnings and fair value adjustments helped pushed basic earnings per share up by 216% to 2.84 cents compared to 0.90 cents a year ago.

Healthy Balance Sheet

At the Group level, shareholders’ equity decreased S\$2.3 million to S\$110.3 million in 1QFY2005, mainly due to a fall in fair value reserve for financial derivatives by S\$12.2 million, partially offset by net profit for the quarter.

Total current assets grew S\$17.6 million to S\$175.5 million. This was primarily attributed to contracts work-in-progress for the Middle East projects, partially offset by decrease in cash and fixed deposits.

Total current liabilities were lower by S\$6.2 million to S\$55.6 million mainly due to fair value adjustments arising from financial derivatives of S\$12.8 million and higher deferred income of S\$2.5 million, partially offset by lower trade payables and accruals. Long-term loan increased S\$24.2 million, mainly due to the drawdown of the term loan facility. This resulted in a net debt-to-equity ratio of 1.04. Excluding the project financing loan, the Group is in a net cash position.

Return on equity for 1QFY2005 was 8% compared with 2.5% for the same period last year.

Prospects For FY2005

“Hyflux is well-positioned to tap the huge potential growth in the water sector as positive long-term market fundamentals drive demand for integrated quality solutions. With our strong track record in the region, proprietary technology and strong local partners, we are poised to be a key beneficiary of this growth.

“We are definitely on track to deliver our target growth for this year,” she concluded.

About Hyflux Ltd

Established in 1989, Hyflux Ltd is one of Asia’s largest water and fluid treatment companies, specialising in membrane technologies. It has operations in Singapore, China and the Middle East.

Certified to ISO 9001:2000 quality management standards, Hyflux provides a comprehensive range of innovative water and fluid treatment solutions to industries, municipalities and governments globally. Hyflux provides a total solution ranging from process design to turnkey engineering, procurement and construction (EPC), pilot testing, installation, commissioning, operation and maintenance of water and fluid treatment plants.

Hyflux's core business includes:

- Raw water purification, water treatment, wastewater, water recycling and sea water desalination;
- Liquid separation applications for the manufacturing sector such as the pharmaceutical, biotechnology, food processing and petrochemical oil-related industries;
- Structured "Build-Own-Operate" (BOO) solutions for raw and wastewater, seawater desalination as well as the industrial manufacturing sector; and
- Air-to-water aquovators™ and home filters for the consumer sector.

Hyflux was the first company in the water treatment industry to be listed on the SGX-Sesdaq in January 2001 and was later upgraded to the Main Board in April 2003. Hyflux is an index stock on the Straits Times Index since March 18, 2005.

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