



NEWS RELEASE - AMENDED

HYFLUX POSTS 39% INCREASE IN REVENUE TO S\$33.7 MILLION FOR 1QFY2006

Key Highlights:

- **Profit after tax attributable to shareholders grew 7% to S\$9.6 million in 1QFY2006**
- **Excluding the fair value gain on financial instruments (unrealised), profit after tax attributable to shareholders jumped 175% to S\$9.4 million in 1QFY2006 from S\$3.4 million in 1QFY2005**
- **Industrial sales rose by 217% to S\$18.4 million from S\$5.8 million in the previous corresponding period due to increase in demand from the biotechnology sector**
- **Continues to expand markets in China and the Middle East while developing new markets such as India and North Africa**
- **Results are in line with its target growth of average CAGR of 30% over a 5-year period, from 2003 to 2008**

Singapore, May 10, 2006 – Main Board-listed Hyflux Ltd (“Hyflux”), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported a 7% rise in profit after tax attributable to shareholders of S\$9.6 million on the back of a 39% increase in revenue to S\$33.7 million for the first quarter ended March 31, 2006 (“1QFY2006”).

Excluding minority interest and fair value gain on financial instruments (unrealised), for which accounting adjustment is expected to fluctuate on a quarter-to-quarter basis, profit after tax attributable to shareholders would have been 175% higher at S\$9.4 million, compared to S\$3.4 million the corresponding quarter in 2005, in line with improved contributions from the Group's core business.

Fair value gain on financial instruments (unrealised) this quarter was S\$0.1 million compared to S\$5.5 million the corresponding quarter last year. The lower unrealised gain was due to a smaller gain in the commodity hedge for SingSpring Pte Ltd in 1QFY2006. Moreover, this unrealised gain was taken to balance sheet as it qualified for hedge accounting under FRS 39 whereas the unrealised gain last year was booked in the income statement in 1QFY2005.

Ms Olivia Lum, Group CEO and President, stated: "I am delighted to report that Hyflux had delivered another quarter of improved operating performance. Key contributors are industrial sales, boosted by strong demand from the bio-technology sector, full impact of contributions from SingSpring and a strong pipeline of both industrial and municipal projects in China.

"We have a healthy order book and a comfortable cash position. We are confident that we are on track to deliver another year of growth as we continue ongoing efforts to expand markets in China and the Middle East and to develop new markets in the region, including India and North Africa."

Financial Review

The Group's revenue growth in 1QFY2006 was largely due to higher industrial sales which accounted for 55% of total revenue in 1QFY2006 compared to 24% a year ago. Industrial sales soared 217% to S\$18.4 million in 1QFY2006 from S\$5.8 million in the previous corresponding period. Municipal sales declined by 18% to S\$15.1 million in 1QFY2006 mainly due to lower revenue from the Middle East due to the divestment of an equity stake in a subsidiary in the Middle East.

This quarter also saw the full impact of SingSpring's 20-year contract to supply treated water to PUB from its seawater desalination plant which became fully operational in December 2005, increasing contributions from Singapore from 2% the previous quarter to **13%** in 1QFY2006.

China accounted for **56%** of total revenue in the period under review as compared to 22% in the previous corresponding period on the back of a strong pipeline of both industrial and municipal projects.

In line with the higher revenue, raw and consumable materials increased 12% to S\$11.8 million in 1QFY2006. To support the growth of the business, including R&D to enhance the Group's project execution capabilities, personnel costs rose 150% to S\$5.4 million during the quarter. Part of these costs was also attributable to the completion of design work for some projects during this period.

Ms Lum elaborated: "We have strengthened our resources considerably as part of our growth strategy to develop and execute our stream of projects in China. These investments are important as we expand our existing markets and develop new ones, particularly in India, the Middle East and North African regions where we are capitalising on the demand for water treatment services."

Other operating expenses increased 63% to S\$2.8 million in 1QFY2006. Overall, the increase in costs and expenses was in line with higher sales and the Group's initiatives to expand into higher growth potential markets so as to achieve and build on longer-term future earnings.

Basic earnings per share declined marginally by 2% to 1.86 SGD cents from 1.89 SGD cents a year ago as 8.7% (or 41,197,604) more shares were issued this year. (Total shares as at March 31, 2006 are 515,349,527 shares compared to 474,151,923 shares at March 31, 2005.)

The Group's cash position stood at a healthy S\$59.6 million as at March 31, 2006.

Prospects For FY2006

Going forward, while Hyflux remains focused on executing existing projects in China, the Group will continue to intensify its efforts to expand its markets in China and the Middle East as well as to develop new markets in regions such as India and North Africa that offer tremendous growth opportunities. The efforts in the China market are already bearing fruits as evidenced by the string of projects awarded recently.

In addition, the Group will adopt a three-pronged approach to funding. The Group will be looking at leveraging on the debt market to optimise its capital structure while continuing its efforts to look for investors for its BOO/BOT projects. When appropriate, Hyflux will securitise these projects to unlock their values and to release the capital to be deployed for the Group's business activities.

"We will continue to emphasise on developing BOO/BOT projects to build up our long term recurring income stream to stabilise our project-based revenue. In the pipeline, we have several projects under development in China, India and the Middle East as well as North African regions.

We are focused on developing a sustainable growth strategy, developing new markets in both industrial and municipal sectors as well as enhancing our recurring revenue stream. We will further sharpen our competitive edge, strengthen our track record and harness our proven capabilities to further tap on the growing demand for fresh water around the world," concluded Ms Lum.

About Hyflux Ltd

Founded in 1989, Hyflux Ltd has rapidly grown to become one of Asia's leading water and fluid treatment companies specialising in membrane technologies, with operations in Singapore, China, the Middle East and India.

Listed on the Singapore Stock Exchange, Hyflux is today an integrated solutions provider offering services that include process design and optimisation, pilot testing, fabrication, and installation, engineering procurement & construction. It is also engaged in the commissioning, operation & maintenance of a wide range of water treatment & liquid separation plants on a turnkey or Design-Build-Own-Operate (DBOO) arrangement.

Its five key areas of focus are:

- **Water** – Seawater desalination, raw water purification, wastewater cleaning, water recycling, seawater water reclamation and ultra pure water production for municipal and industrial clients
- **Industrial Processes** – Separation, concentration and purification for manufacturing process streams
- **Structured Projects** – Privately financed projects through Structured Build-Own-Operate (BOO) or Build-Own-Transfer (BOT) schemes
- **Consumer** – Air-2-water products and home filtration products for the consumer lifestyle market
- **Hyflux Materials** – The research & development of cutting edge technology in material sciences, to open its areas for membrane applications either through in house research or in collaboration with reputable institutions worldwide.

Signaling its arrival on the international scene, in 2006, Hyflux was accorded **Water Company of the Year** award by the UK's Global Water Intelligence at the Global Water Awards. In 2005, Hyflux was among eleven Singapore companies that made it to Forbes Asia's "**Best Under a Billion**" list.

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