NEWS RELEASE

HYFLUX POSTS 143% RISE IN REVENUE TO S$50.5 MILLION FOR 3QFY2005

- **Net profit up 86% to S$12.9 million**
- **Earnings per share improved 93% to 2.67 cents**
- **Healthy cash balance of S$106.4 million**

Other Key Highlights:

- **Continues to enlarge markets in China and the Middle East while developing new markets such as India**
- **Asset-light strategy to feature prominently in regional growth plans**

Singapore, November 10, 2005 – Main Board-listed Hyflux Ltd ("Hyflux"), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported a 86% increase in net profit to S$12.9 million on the back of a 143% rise in revenue to S$50.5 million for the three months ended September 30, 2005 ("3QFY2005").

Ms Olivia Lum, Group CEO and President, said: "I am delighted that Hyflux has achieved another quarter of robust results. The strong performance was largely due to higher municipal sales in both Singapore and China. We have successfully delivered our first desalination project located in Tuas about three months ahead of schedule, and witnessed the groundbreaking of our largest overseas seawater desalination project in Tianjin. We are encouraged that these projects have received favourable attention from other potential customers and are confident that they will open up more doors of opportunities for us in other markets with water shortage problems such as the Middle East and India."

Financial Review

The Group's revenue growth in 3QFY2005 was largely due to higher municipal sales in Singapore and China, which accounted for 74% of total revenue in 3QFY2005 compared to 2% a year ago.

In line with higher municipal sales, raw and consumable materials increased 295% to S$30.5 million in 3QFY2005. To support the growth of the business, personnel expenses rose 55% to S$4.5 million in 3QFY2005, mainly due to manpower additions for its research and development as well as engineering and technical teams.

Ms Lum explained: "We have strengthened our resources considerably as part of our growth strategy for executing larger-sized projects and expanding our existing markets as well as developing new ones, particularly in India where we are capitalising on the demand for water treatment services."

Other operating expenses increased 330% to S$8.0 million in 3QFY2005, primarily because of higher sales, higher developmental and marketing expenses, and professional fees. Correspondingly, with the increased expenses and change in sales mix towards larger-sized municipal projects, operating margins were lower as compared to 3QFY2004.

For 9MFY2005, net profit rose 164% to S$44.7 million on the back of an 84% increase in revenue to S$93.5 million.

Healthy Cash Flows

The Group's cash position strengthened to S$106.4 million as compared to last year. Profits generated, coupled with a lower working capital requirement, resulted in net cash generated from operations of S$32.4 million compared to net cash used in operations of S$4.2 million last year.

Healthy Balance Sheet

The Group's shareholders' equity increased by S$65.0 million to S$177.6 million as at September 30 2005, mainly due to the issuance of new shares to Istithmar and net profit of S$36.6 million for the period. This was partially offset by dividend payout of S$4.3 million and fair value reserve adjustment of S$7.0 million.

Non-current assets dipped by S$20.7 million primarily because of decrease in construction-in-progress by S$25.3 million due to the 50% divestment of SingSpring plant, partially offset by increases in investment in associated companies of S$9.3 million, in intangible assets by S$4.5 million and in long-term investments by S$1.6 million.

Net current assets increased by S$63.5 million to S$172.1 million, mainly due to increases in cash and fixed deposits of S$45.2 milion. Other changes in working capital were in line with higher revenue and bigger-sized projects undertaken by the Group.

Deferred income of S$4.1 million represented unrealised profits on sales to joint ventures/associated companies on consolidation in Group accounts. These unrealised profits will be realised and credited to the Group's profit and loss account over the estimated economic useful lives of the underlying assets or when the Group divests its equity stake in the associated companies.

Long-term loan decreased by S$32.7 million mainly because of the SingSpring divestment. This resulted in a net debt-to-equity ratio of 0.02. Excluding the project finance loan, the Group was in a net cash position.

Prospects For FY2005

Going forward, Hyflux remains focused on executing existing projects in China, Singapore and the Middle East. At the same time, the Group will continue to enlarge its markets in China and the Middle East while developing new markets such as India that offers tremendous growth opportunities.

“We are focused on developing a sustainable growth strategy, developing new markets and enhancing our recurring revenue stream. We will further sharpen our competitive edge, strengthen our track record and harness our proven capabilities to further tap the growing demand for fresh water,” said Ms Lum.

To sustain the growth, Hyflux will continue to adopt an asset-light strategy as it expands its presence in China and the region so that financial resources and debt capacity can be released to take on new projects and new markets. As an example, in October 2005, Hyflux signed an agreement with RB (Labuan) Ltd, a wholly-owned subsidiary of Kuala Lumpur-listed textile company, Ramatex Berhad, to form an investment company named SinoSpring Utility to invest in water treatment projects in China mainly developed and built by Hyflux. Each company will have a 50% stake in SinoSpring.

Barring unforeseen circumstances, the Group is confident of turning in another year of growth.

About Hyflux Ltd

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

Listed on the Singapore Stock Exchange, Hyflux specialises in providing an integrated suite of turnkey services including process design & optimisation, engineering procurement & construction management, pilot testing, fabrication, installation, commissioning, operations & maintenance of water treatment & liquid separation plants, using advanced membrane technologies for diverse industries, municipalities and governments in Asia Pacific and the Middle East.

Its five key areas of focus are:

- Water – Seawater desalination, raw water purification, wastewater treatment, water recycling and ultra pure water production
- Industrial Processes – liquid separation applications for the manufacturing sector such as the pharmaceutical, biotechnology, food processing and petrochemical oil-related industries
- 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 including faucet and under-sink filters 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

In 2005, Hyflux made it to Forbes Asia's 2005 'Best Under a Billion' List. It also netted the Most Transparent Company Award 2005 and 2004 by the Securities Investors Association of Singapore (SIAS). Hyflux was accorded the 'Enterprise Award 2003' at the Singapore Business Awards. It was named 'Best Small Company in Singapore 2002' by Asiamoney. In 2002, Hyflux was also named as one of Forbes Global Magazine 'Best under 1 billion 200 Companies'.

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168/05/006/HL

November 10, 2005