



NEWS RELEASE

HYFLUX POSTS 9MFY2006 EARNINGS OF S\$14.5 MILLION ON REVENUE OF S\$100.6 MILLION

Key Highlights:

- **Short Term impact on Group's financial performance due to lower Municipal Sales, "elimination" of EPC revenue and profits relating to Consolidation of all projects at SinoSpring at Group level, higher development costs to expand into new markets and used oil recycling business, and lower one-time gains**
- **Industrial Sales jumped 99% to S\$66.9 million**
- **Enters the Algerian water market with significant win – largest seawater desalination plant worth USD 205 million undertaken by Group**
- **Delivers first phase of membrane-based plant for oil recovery plant and is pursuing a few used oil recovery projects in the region**
- **Healthy Order Book - increased by 198% to S\$454 million (excluding projects under SinoSpring)**

"Hyflux's fundamentals remain strong, notwithstanding the short-term impact on our financials with our increased equity stake in SinoSpring to 80%. Our increased stake is in line with our objective to build on long-term recurring income. SinoSpring has a portfolio of 13 projects in China worth S\$400 million which will generate 25 to 30 years of recurring revenue of about S\$160 million to S\$170 million to our Group when fully operational. At an appropriate time, we will put in place a business structure to achieve our asset-light strategy without compromising long-term recurring revenue from operations and maintenance works.

“Looking ahead, we would be executing a 200 MLD seawater desalination plant with an estimated EPC value of about S\$328 million in Algeria, the largest such plant we have undertaken.

“Our order book remains healthy, with good growth expected for all sectors. We are delighted that our consumer segment has achieved a turnaround in 3QFY2006, and is expected to contribute positively to the Group’s financials in the next 12 months.

“Our entry into the vast used oil recovery business is making good inroads and we have committed substantial human and financial resources to develop this huge market,” said Ms Olivia Lum, Hyflux’s Group CEO and President.

Singapore, November 14, 2006 – Main Board-listed Hyflux Ltd (“Hyflux” or “the Group”), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported earnings of S\$14.5 million on the back of a revenue of S\$100.6 million for the nine months ended September 30, 2006 (“9MFY2006”).

The Group’s performance has been affected by lower municipal sales from Middle East and Singapore, partially offset by higher Industrial Sales. The accounting treatment under the Singapore Financial Reporting Standards whereby EPC revenue and profits relating to projects under SinoSpring Utility Ltd (“SinoSpring”) would be eliminated on consolidation at Group level as SinoSpring has become an 80% Hyflux subsidiary also contributed to the drop in performance.

Higher personnel costs and development expenses necessary to develop and expand into new markets and used oil recycling business as well as lower exceptional gains added to the decline in net profits attributable to shareholders at the end of September 2006. The previous corresponding period’s profits were boosted by one time and exceptional gains totalling S\$25.7 million.

Said Group CEO and President, Olivia Lum: “We decided to increase our equity stake in SinoSpring to 80%, notwithstanding the short-term impact this move will have on Hyflux’s financial reporting numbers. We view this move positively as SinoSpring will

not only provide the Group with stable long-term recurring income, it also gives us more flexibility in structuring business trust or other forms of asset light vehicles.”

Financial Review

Industrial sales grew by 99% to S\$66.9 million on the back of strong order book and comprised 67% of total Group revenue. Municipal revenue of S\$29.3 million was 51% lower than last year.

China continued to be the key revenue driver, accounting for 71% of total revenue in 9MFY2006 as compared to 42% in the previous corresponding period. This was driven by strong demand from the industrial sectors, partially offset by the elimination of EPC revenue relating to projects under SinoSpring Utility.

Singapore accounted for 19% of total group revenue, and comprised mainly of water revenue from operating the plant. Contributions from Singapore decreased by 41% to S\$19.3 million due to revenue recognised from the completion of SingSpring plant last year. Revenue from the Middle East and the other region were down by 52% due to lower revenue from the Middle East venture.

“The SingSpring seawater desalination plant has been operating since 4QFY2005 and has consistently met the product quality and water dispatch required by Public Utilities Board. This is a significant achievement for us as it seals our proven track record as a robust water treatment company and provides us with a 20-year recurring income stream,” added Ms Lum.

Personnel expenses of S\$15.2 million was S\$6.1 million or 67% higher than that of the corresponding period in 2005 as the Group continued to build on its human capital to expand its production capacity, expanded into new markets such as India, Europe and the Middle East and North Africa (“MENA”) region and develop its new oil recycling business.

Other non-operating expenses increased mainly due to the provision of doubtful debts and unrealised exchange losses amounting to a total of S\$2.5 million. Finance expenses had increased substantially to S\$3.8 million due to the project financing loan for the SingSpring seawater desalination plant.

In accordance with FRS 103, a negative goodwill of acquisition of subsidiaries of S\$2.9 million was recorded for these subsidiaries acquired during the year.

Higher tax expense of S\$2.5 million this year was mainly due to the provision of deferred tax expense in SingSpring, which commenced operations in December 2005.

The Group's cash position stood at S\$36.0 million as at September 30, 2006.

Prospects

Going forward, Hyflux remains optimistic about the macro environment on the water and wastewater and used oil recovery sectors in China, India and the Middle East region, particularly in Algeria.

"We are excited to have made good progress beyond our traditional markets of China and Singapore. In China, under SinoSpring, we will be able to retain the value of all 13 projects and look forward to a robust pipeline of BOO/BOT projects."

"We have also made good progress in the Middle East with the significant win of a US\$205 million EPC contract to design and build a 200MLD desalination plant in Algeria. This is the largest seawater desalination plant undertaken by the Group and marks a significant fresh footprint in the MENA region. It is in line with our strategy to focus on the supply of our process know-how and proprietary membrane systems which are our core competencies. We are also pursuing other projects in Algeria and the MENA region," said Ms Lum.

“We will leverage on our proven technologies to capitalise opportunities. The increasing oil price, for example, provides us with a tremendous growth opportunity to apply our membrane technologies in used oil recovery processing.

“The market potential in the used oil recovery is tremendous. We have committed substantial human and financial resources to develop this huge potential and are making good progress. We are concurrently developing this business in Singapore, China, India, South East Asia and the MENA region,” concluded Ms Lum

Order Book

As of 3QFY2006, the Group’s order book (excluding the projects in SinoSpring), stood at S\$454 million, representing a 198% increase compared to 1HFY2006.

Funding

The Group recently strengthened its capital structure with the successful signing of a 5-year US\$138 million syndicated loan facility with banks from China, Malaysia, Taiwan, Europe, India and all major Singapore banks. This will allow the Group to execute its strong pipeline of projects and fund new opportunities.

When appropriate, it will securitise these projects to unlock their values and to release the capital to be deployed for the Group’s business activities.

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.

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.

ISSUED ON BEHALF OF	:	Hyflux Ltd
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 1 Raffles Place #26-02 OUB Centre SINGAPORE 048616
CONTACT	:	Ms Dolores Phua / Mr Danny Cham at telephone
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 / 9827-5226 (Handphone)
EMAIL	:	dolores.phua@citigatedrimage.com

danny.cham@citigatedrimage.com

193/06/005/HL

November 14, 2006