



## NEWS RELEASE

### **HYFLUX REPORTS A 329% SURGE IN NET PROFIT TO S\$5.1 MILLION FOR 3QFY2007**

#### ***Key Highlights:***

- **Proposed establishment of Hyflux Water Trust (“HWT”) to unlock capital for re-deployment into new projects and expansion**
- **China continues to be the Group’s main revenue driver**
  - **robust growth of industrial projects**
- **Significant milestone entering into the field of clean energy collaborating with BP International Ltd (“BP”) and the Dalian Institute of Chemical Physics (“DICP”)**
- **Continues to make progress in used oil recycling segment in Saudi Arabia, China, the Philippines, and Vietnam**

*“We had an exciting quarter with a number of key developments that reinforce our position as one of global leading technology-based environmental and water companies. HWT will be the first pure-play global water business trust to be listed on a securities exchange in Asia. With the proposed creation of HWT, we would achieve our asset-light strategy, giving us the financial flexibility for us to acquire and further develop water-related infrastructure assets.”*

*“We have also achieved a significant milestone entering into the field of clean energy collaborating with BP and the DICP to jointly develop and commercialise the use of Zeolite dewatering membranes in the production of bio-fuels. Our used oil recycling business continues to make progress in Saudi Arabia, China, the Philippines and Vietnam.”*

*“We have put in place a strong international management team to drive our growth. We will continue to leverage both on our strong team and unique membrane technology to expand into new markets,” said Ms Olivia Lum, Hyflux’s Group CEO and President.*

Singapore, November 12, 2007 – Main Board-listed Hyflux Ltd (“Hyflux” or “the Group”), a leading global player in integrated water and environmental solutions specialising in membrane technologies, today reported a 329% surge in earnings to S\$5.1 million from S\$1.2 million for the quarter ended 30 September 2007 (“3QFY2007”), on the back of a 76% surge in revenue of S\$51.9 million.

## **FINANCIAL REVIEW**

The Group’s 76% increase in revenue in 3QFY2007 to S\$51.9 million from S\$29.4 million was mainly due to higher industrial sales, which surged 96% to S\$39.2 million.

Municipal sales also increased by 85% to S\$12.4 million in 3QFY2007 whilst China continued to be the main revenue driver, contributing approximately 68% of total revenue for 3QFY2007. Sales in the Middle East and North African (“MENA”) region accounted for 27% of total revenue in this financial period.

Higher raw materials and consumables, personnel expenses and depreciation and amortisation in 3QFY2007 were in line with the Group’s growth.

A non-operating income of S\$1.4 million in 3QFY2007 was mainly due to an unrealised foreign exchange gain recorded on the translation of a loan facility denominated in US dollar as a result of the weakening US dollar. This compares favourably with non-operating expenses recorded in the previous corresponding quarter.

The Group also experienced a lower effective tax rate of 6% due to tax exemptions and incentives enjoyed by certain entities of the Group.

Overall, the net effect of the above resulted in an increase in 3QFY2007 profit by 329% to S\$5.1 million from S\$1.2 million in the previous corresponding period.

Earnings per share increased by 122% to 0.80 cents in 3QFY2007 from 0.36 cents in the previous corresponding period.

## **Balance Sheet**

The Group's cash position stood at S\$68.4 million as at 30 September 2007, up by S\$32.4 million as compared to the same corresponding period. Shareholders' equity increased by S\$11.9 million or 6% to S\$213.0 million from S\$201.1 million as at 31 December 2006.

## **RECENT CORPORATE DEVELOPMENTS**

Hyflux recently lodged and will be listing its business trust sponsored by the Company, HWT on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The business trust, with an initial portfolio of 13 water plants and a total capacity of 445,000 m<sup>3</sup>/day, will focus on investments in water-related infrastructure assets. Hyflux Water Trust Management Pte. Ltd., a wholly-owned subsidiary of Hyflux, as Trustee-Manager, will be granted a right of first offer, a right of first refusal and right to match on all water-related infrastructure assets owned by the Hyflux Group.

"HWT will be the first pure-play global water business trust to be listed on a securities exchange in Asia. We will continue to own 25% stake in HWT after listing, providing us with potential appreciation as we focus on yield accretive projects," added Ms Lum.

The Group also achieved a significant milestone entering into the field of clean energy, collaborating with BP International Ltd ("BP") and the Dalian Institute of Chemical Physics ("DICP"). "The aim is to jointly develop and commercialise the use of Zeolite membranes in the dewatering and separation processes of bio-fuels such as bio-ethanol, that is, the use of Zeolite (and ceramic) membrane to separate alcohol and water. By increasing the efficiency of the dewatering step of bio-ethanol production

using Zeolite membranes, we aim to provide a more cost efficient method compared with the conventional method. We are confident of the prospects that this technology offers us,” commented Ms Lum.

The Group’s used-oil recycling business continued to make progress in Saudi Arabia, China, the Philippines and Vietnam. The Group’s wholly-owned subsidiary, Eflux Singapore Pte Ltd (“EFLUX”) recently signed 2 Joint Venture Agreements in the Philippines and Vietnam to invest approximately US\$22.5 million in used-oil recycling plants. In the Philippines, EFLUX entered into an agreement with Tao Commodity Trader, Inc. to invest approximately US\$12 million to build a state-of-the-art used oil recycling plant near Calaca, Batangas in the Philippines for the collection, treatment and recovery of used oil into high grade base oil for sale in the Philippines and other export markets. In Vietnam, EFLUX inked an agreement with Success Blossom Environment Vietnam Joint Stock Company to invest US\$10.5 million to build a state of the art used oil recycling plant near Hanoi, capital of Vietnam for the collection, treatment and recovery of used oil into high grade base oil for sale in Vietnam and other export markets such as Laos and Cambodia.

## **PROSPECTS**

Looking ahead, Hyflux remains optimistic about the prospects of the environmental and water industries.

“Our fundamentals and competitive position have further strengthened with the proposed establishment of our business trust, and the progress that we are making in our used oil recycling and energy segments. We continue to focus on the execution of projects in target regions – China, India, the Middle East, and Northern African regions.”

“We have put in place a strong international management team to drive our growth. We will continue to leverage both on our strong team and unique membrane technology to expand into new markets,” concludes Ms Olivia Lum, Hyflux’s Group CEO and President.

## ABOUT HYFLUX LTD

Founded in 1989, Hyflux Ltd has rapidly grown to become one of world's leading water and environmental companies specialising in membrane technologies, with operations in Singapore & Southeast Asia, China, the Middle East & North Africa, 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 four 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 as well as home consumer filtration and purification products
- **Industrial Processes** – Separation, concentration and purification for manufacturing process streams
- **Energy** - Development of membrane applications in resource recovery, waste recycling and energy reclamation such as used oil recovery and recycling.
- **Specialty Materials** – Development and commercialization of specialty materials utilising membrane technology, such as lactic acid from natural renewable resources like corn and sugar cane.

In 2006, Hyflux was awarded Water Company of the Year by the UK's Global Water Intelligence at the Global Water Awards. It was also named a Forbes Asia's Best Under a Billion Company in 2006 and 2005.

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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 / Ms Carol Wee  
at telephone  
DURING OFFICE HOURS : 6534-5122 (Office)  
AFTER OFFICE HOURS : 9750-8237 / 9730-5754 (Handphone)  
EMAIL : [dolores.phua@citigatedrimage.com](mailto:dolores.phua@citigatedrimage.com)  
[carol.wee@citigatedrimage.com](mailto:carol.wee@citigatedrimage.com)

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