NEWS RELEASE

HYFLUX REPORTS 76% INCREASE IN NET PROFIT TO S$49.2 MILLION

- **Revenue grown 48% to S$131.5 million driven mainly by higher municipal sales from Singapore, China and the Middle East**
- **Good recurring income to come from operation and maintenance of projects**
- **Focus on larger, higher yielding industrial projects in China market**
- **Order book doubled to S$465 million**
- **Cash position strengthened to S$96.4 million, from S$61.3 million a year ago**
- **Earnings per share improved 64.0% to 8.9 cents**

Singapore, February 16, 2006 – Main Board-listed Hyflux Ltd ("Hyflux"), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported a 76% rise in net profit to S$49.2 million on the back of a 48% rise in revenue to S$131.5 million for the financial year ended December 31, 2005 ("FY2005").

Ms Olivia Lum, Group CEO and President, said: "I am pleased that Hyflux has performed well for FY2005, driven mainly by higher municipal sales from Singapore, China and the Middle East. With the completion of these municipal projects in 1-3 years' time, we could experience good recurring income of about S$80 – 90 million a year for the next 20 – 30 years.

"At the same time, we will continue our R&D to develop new membrane applications and look for growth opportunities in the higher margin industrial sector, with a focus on larger, better yielding liquid process projects. We are delighted that we have successfully won some of these projects in China, notwithstanding the longer gestation period and piloting costs involved."

Financial Review

The Group's revenue growth was mainly driven by higher municipal sales from Singapore, China and the Middle East, which accounted for 56% of total revenue as compared to 19% last year.

In line with higher municipal sales, raw materials, consumables and accruals increased 94% to S$69.5 million in FY2005.

The Group's headcount increased 47% to 682 as compared to 465 last year. This increase was across the board with the higher concentration in the technical and engineering personnel. As a result, personnel expenses increased by 79% to S$16.7 million. Other operating personnel expenses increased 45% to S$15.3 million largely due to higher revenue and costs in developing new markets, expanding existing markets and securing and executing larger size projects

"We continued to invest in human capital with more resources being expended in research and development, in developing new markets such as India, in growing our existing markets and in enhancing our project executing capabilities. We view these as investments which are necessarily incurred to support the growth of future earnings," commented Ms Lum.

Overall, profit before tax and minority interests rose by 74% to S$50.3 million as compared to the previous year.

Healthy Balance Sheet

The Group's shareholders' equity increased by S$76.8 million or 68% to S$189.4 million, mainly due to the issuance of new shares, net profit of S$46.3 million and employee share option reserve of S$2.9 million. This was partially offset by a dividend payout of S$4.3 million and negative fair value reserve adjustment of S$7.1 million.

Non-current assets dipped by S$10.8 million mainly due to the completion of divestment of 50% equity stake in SingSpring and the sale of Hyflux Building. This was partially offset by increases in investment in associate by S$11.4 million and intangible assets by S$6.5 million.

Working capital rose by S$57.9 million to S$166.6 million due mainly to increases in cash and cash equivalents of S$35.1 million. Deferred income of S$1.6 million represented unrealised profits on sales to associates in Group accounts. These unrealised profits will be realised and credited to profit and loss account of the Group over the economic useful lives of the underlying assets or when the Group divests its equity stake in the associates.

Long-term loans decreased by S$33.9 million mainly due to the divestment of SingSpring. This together with the higher cash and cash equivalents balances led to a reduction in net debt to equity ratio for the Group from 0.71 in Dec 2004 to 0.05 as of Dec 2005. Excluding the project finance loan, the group was in a net cash position.

Healthy Cash Flows

The Group's cash position strengthened to S$96.4 million, up by S$35.1 million compared to a year ago. This was mainly due to an increase in net cash generated from operations and a lower working capital requirement for the year.

Positive Outlook

- Strong Order Book, Another Year of Growth in 2006

While the Group is focused on executing existing projects in China, Singapore and the Middle East, it continues to expand its market presence in China and the Middle East and to develop new markets in the region such as India. “Competition is expected to be strong, but we will continue to sharpen our competitive edge and harness our track record and proven capabilities to meet such challenges,” commented Ms Lum. “As we expand our presence in China and the region, we will adopt an asset-light strategy by divesting interest in capital-intensive BOO/BOT projects. This will allow us to release financial resources as well as debt capacity to take on new projects and new markets.”

The Group has executed its asset-light strategy with 50% divestment of SingSpring, the sale and leaseback of Hyflux Building and the formation of SinoSpring with RB (Labuan) Berhad to invest in the BOO/BOT projects in China.

“Our order book has doubled to S$465 million compared to a year ago with a total project value of S$535 million. When fully delivered in about 1 to 3 years, these projects will have total annual capacities of around 500,000 m^3/year and a recurring revenue stream in the region of S$80 – 90 million a year over the next 20 to 30 years. This will form a steady base of recurring income for the Group as we build on our portfolio of global projects,” concluded Ms Lum.

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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