NEWS RELEASE

HYFLUX REPORTS THREE-FOLD INCREASE IN NET PROFIT TO S$31.8 MILLION FOR 1HFY2005

Highlights :

- **Revenue up 44% to S$43.1 million**
  - **Middle East market accounted for 49% of total revenue**
  - **China market represented 46% of total revenue**
- **Strong order book of S$336 million, up 42% from S$237 million in February 2005**
- **Operating margin improved marginally to 37%, from 35% last year**
- **Basic EPS increased 162% to 7.27 cents**
- **Healthy cash position of S$70.3 million**
- **Financial impact of the 50% divestment of SingSpring expected to be recognised in 3QFY2005**

Singapore, August 4, 2005 – Main Board-listed Hyflux Ltd ("Hyflux"), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported an impressive set of financials for the six months ended June 30, 2005 ("1HFY2005").

Net profit more than tripled from S$9.7 million in 1HFY2004 to S$31.8 million for 1HFY2005. This was achieved on the back of a 44% increase in revenue of S$43.1 million. The strong bottomline results included a gain of S$8.5 million related largely to the gain on disposal of Hyflux Building and a fair value gain of S$8.7 million following the application of FRS 39 for the reporting period.

Ms Olivia Lum, Group CEO and President, said: “I am delighted that Hyflux is able to deliver another set of strong results. This clearly demonstrates that our strategy to increase shareholder value is spot on.

“Going forward, we will continue to adopt an asset-light strategy. We are confident that this move of unlocking the hidden value of our assets will help to lighten our balance sheet and free up resources for further scaling up of business. The sale and leaseback of Hyflux Building and the proposed divestment of 50% stake in SingSpring to Temasek, expected to be completed in 3QFY2005, are part of this strategy.

Financial Review

The Group’s revenue growth in 1HFY2005 was mainly driven by its projects in the Middle East, which constituted 49% of total revenue. Its China sales represented 46% of total revenue compared to 76% last year, and were primarily from the industrial sectors.

Personnel expenses went up 28% to S$4.5 million in 1HFY2005 primarily due to additions in manpower for the Group’s engineering and technical functions and for the development of new markets.

Other operating expenses rose 24% to S$3.1 million in 1HFY2005, in line with higher sales and the Group’s effort to diversify and develop new markets.

Overall, operating margin improved to 37% in 1HFY2005 compared to 35% last year.

Ms Lum added : “Our order book and cash position remain healthy. We are confident that we are on track for another year of growth as we continue to develop markets that provide sustainable growth potential such as the Middle East, China and India in the municipal, industrial and consumer sectors.”

Healthy Balance Sheet

The Group's shareholders' equity increased by S$38.8 million to S$151.5 million in 1HFY2005 mainly due to an increase in share capital and premium of S$35.6 million from the issuance of new shares to Istithmar and net profit of S$31.8 million for the period. This was partially offset by a dividend payout of S$4.3 million and a fall in fair value reserve for financial derivatives by S$17.6 million for the period.

Non-current assets increased by S$45.0 million mainly due to the increase in construction in progress of S$32.0 million of the Tuas desalination plant and investment in an associated company of S$9.3 million.

Total current assets grew by S$55.6 million to S$213.5 million and this was primarily attributed to an increase in cash and fixed deposits, contracts work in progress, amount due from related companies and fair value adjustments arising from financial derivatives. The higher contracts in progress were in line with the Group's increased revenue and larger-sized projects.

Total current liabilities increased by S$19.0 million to S$68.4 million mainly due to fair value adjustments arising from financial derivatives of S$18.3 million and deferred income of S$3.5 million, representing unrealised profits on sales of joint ventures/associated companies on consolidation in Group accounts.

Long-term loan increased by S$33.7 million mainly due to the drawdown of term loan facility. This resulted in a debt-to-equity ratio of 0.2. Excluding the project financing loan, the Group is in a net cash position.

Prospects For FY2005

Commenting on the execution of SingSpring's plant, Ms Lum has this to add : "We are extremely pleased with the progress of our first desalination project, located in Tuas. It is about three months ahead of schedule and is expected to be operational in September this year. The successful execution of this desal plant has already opened new doors of opportunities for us in other markets with water shortage problems such as the Middle East, China and India.

"As a leading player that provides an integrated solution with cutting edge technology, we believe that we are well positioned to tap the region's huge potential growth."

The Group's current order book stands at S$336 million compared to S$237 million as of February 2005 this year. Municipal order book comprises 81% of total order book while the remaining is from industrial sectors. The order book does not include potential orders of US$290 million (out of the US$400 million) from the Middle East, the Tianjin desalination plant of S$150 million (US$90 million) and the two MOUs from Harbin and Changchun in China and the remaining EPC revenue for the Tuas desalination plant upon the divestment of the 50% equity stake in SingSpring.

Barring unforeseen circumstances, the Group is on track to achieve its target for another year of growth.

About Hyflux Ltd

Established in 1989, Hyflux Ltd is one of Asia's largest water and fluid treatment companies, specialising in membrane technologies. It has operations in both Singapore and China.

Certified to ISO 9001:2000 quality management standards, Hyflux provides a comprehensive range of innovative water and fluid treatment solutions to industries, municipalities and governments in the Asia Pacific region. As the membrane technology provider behind Singapore's first-ever NEWater and seawater desalination plants, Hyflux provides a total solution ranging from process design to turnkey engineering, procurement and construction (EPC), pilot testing, installation, commissioning, operation and maintenance of water and fluid treatment plants.

In 2003, the Group acquired the patent for extracting moisture from the ambient air to produce fresh drinking water, heralding its foray into the consumer market, with its dragon-fly™ air-to-water aquovator™.

Hyflux's core business includes:

- Raw water purification, water treatment, wastewater, water recycling and sea water desalination;

- Liquid separation applications for the manufacturing sector such as the pharmaceutical, biotechnology, food processing and petrochemical oil-related industries;

- Structured "Build-Own-Operate" (BOO) solutions for raw and wastewater, seawater desalination as well as the industrial manufacturing sector; and

- Air-to-water aquovators™ and home filters for the consumer sector.

Hyflux was the first company in the water treatment industry to be listed on the SGX-Sesdaq in January 2001 and was later upgraded to the Main Board in April 2003. Hyflux is an index stock on the Straits Times Index with effect from March 18, 2005.

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 Jessinta Tan at telephone
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 / 9781-3267 (Handphone)
EMAIL	:	dolores.phua@citigatedrimage.com jessinta.tan@citigatedrimage.com

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