



NEWS RELEASE

HYFLUX POSTS 65% INCREASE IN REVENUE TO S\$71.2 MILLION FOR 1HFY2006

Key Highlights:

- **Strong core earnings growth**
- **Industrial sales more than doubled by 128% to S\$46.6 million**
- **Excluding exceptional gains from 1HFY2005, profit after tax attributable to shareholders in 1HFY2006 would have jumped 114% to S\$12.4 million**
- **Healthy order book of S\$382 million, 13% higher than 1HFY2005**
- **Entry into the Indian water market – obtains approval to invest in a 15,000 m³/day high grade industrial water plant at Hebbal, Bangalore**
- **Steady long term income stream when projects are completed in 2 years time**

Singapore, [August 8, 2006] – Main Board-listed Hyflux Ltd (“Hyflux”), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported a 65% increase in revenue to S\$71.2 million for the first half ended June 30, 2006 (“1HFY2006”).

Excluding exceptional gains from disposal of Hyflux building and unrealised fair value gains of financial instruments of S\$17.2 million in 1HFY2005, profit after tax attributable to shareholders in 1HFY2006 of S\$12.4 million, would have been 114% or S\$6.6 million higher in comparison, in line with core business growth.

“We experienced strong core earnings growth, backed by high industrial sales from both the pharmaceutical and biotechnology sectors; and a healthy pipeline from both industrial and municipal projects in China. Underpinning the large order book and positive growth prospects, we expect the performance in 2HFY2006 to be stronger than 1HFY2006,” said Group CEO & President, Olivia Lum.

“Going forward, we have a healthy order book of S\$382 million as well as a comfortable cash position. The US\$138 million syndicated loan facility will allow us to execute our strong pipeline of projects and fund new opportunities not only in China but also in the region,”

Financial Review

The Group’s revenue growth in 1HFY2006 was driven by higher industrial sales, accounting for 66% of total revenue in 1HFY2006 as compared to 48% in the previous corresponding period. Industrial sales soared 128% to S\$46.6 million in 1HFY2006 from S\$20.58 million in 1HFY2005. Municipal sales increased marginally to S\$23.0 million in 1HFY2006, on the back of strong project pipelines from China.

In Singapore, with the SingSpring Desalination Plant fully operational, revenue increased by 803% to S\$11.6 million, thereby increasing contributions from Singapore from 3% the previous period to 16% in 1HFY2006.

China continues to be the key revenue driver, accounting for 70% of total revenue in 1HFY2006 as compared to 46% in the previous corresponding period.

In line with the higher revenue, raw and consumable materials increased 85% to S\$33.9 million in 1HFY2006. To support the global growth of the business, including building up the human capital to expand the Group’s operational capability, personnel costs rose 111% to S\$9.6 million in 1HFY2006.

Other expenses amounted to S\$3.1 million and was due mainly to the provision of doubtful debts and unrealized exchange losses. Higher financial expenses were due to expenses incurred on the project financing loan for SingSpring seawater desalination plant.

The Group's cash position stood at a healthy S\$61.1 million as at June 30, 2006.

Prospects For FY2006

Going forward, the performance in 2HFY2006 is expected to be stronger than that of 1HFY2006, The Group remains focused on executing its existing projects in China, while actively pursuing new opportunities in India, MENA and the SEA region.

"Indeed, we are excited that our efforts in building up the Indian market have borne fruits, with the approval received yesterday from Karnataka Udyog Mitra, to invest in developing a 15,000 m³/day high grade industrial water plant in Hebbal, Bangalore, " said Ms Lum.

"We will leverage on our proven technologies to capitalise opportunities. The increasing oil price, for example, offers us with a tremendous growth opportunity to apply our membrane technologies in oil recovery processing. The delivery of the first phase of membrane based processing plant in Singapore is on track and we expect positive contributions from this sector next year," she continued.

To fund its existing and future projects, the Group will continue to adopt a three-pronged approach to funding. The Group has delivered its first prong of capitalizing its capital structure through 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 it to execute the strong pipeline of projects and fund new opportunities.

In addition, Hyflux will continue its efforts to look for investors for its BOO/BOT projects. 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.

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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.

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