



## NEWS RELEASE

**HYFLUX POSTS Q1FY07 EARNINGS OF S\$1.2 MILLION ON REVENUE OF S\$13.4 MILLION**

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

- **China continued to be main revenue driver :**
  - **Awarded a total of 20 projects, including 5 in Q1FY07.**
  - **Developing more than 30 projects in wastewater and water recycling.**
  - **Strong pipeline of Industrial Sales Order.**
- **Possible injection of SinoSpring projects to a trust structure.**
- **New pillar of growth – used oil recycling – making good progress in the Kingdom of Saudi Arabia.**
- **Short term impact on Group’s financial performance due to**
  - **an “elimination” of EPC revenue and profits (from July 06) relating to Consolidation of all projects at SinoSpring at Group level.**
  - **Lower municipal sales in Singapore due to partial divestment of SingSpring.**
  - **Lower Municipal Sales in the Middle East.**

“Hyflux’s fundamentals remain strong. We are making good progress in our new pillar of growth in used oil recycling and are positive that our first investment in Saudi Arabia will open doors for our expansion into the Middle East region. We have made progress in Algeria and the consortium is in the process of negotiating the financial close for our 200 MLD seawater desalination plant. We expect to complete construction within 24 months from financial close.

*“Going forward, in China, we remain optimistic with the possible injection of our completed projects to a trust structure, thereby allowing us to realise each of these projects' potential.*

*“We will continue to focus on the growth markets of China, India and the MENA region where our competitive edge, that is, our unique membrane technology, can be leveraged,” said Ms Olivia Lum, Hyflux’s Group CEO and President.*

Singapore, May 15, 2007 – Main Board-listed Hyflux Ltd (“Hyflux” or “the Group”), a leading regional player in integrated environmental solutions specialising in membrane technologies, today reported earnings of S\$1.2 million on the back of a revenue of S\$13.4 million for the first quarter ended March 31, 2007 (“Q1FY07”).

The Group’s lower revenues were largely due to the elimination of EPC revenues and profits relating to projects under SinoSpring Utility Ltd (“SinoSpring”), which has become an 80% Hyflux subsidiary. Sales were also affected by the divestment of an equity stake in a subsidiary in the Middle East and partial divestment of SingSpring.

The higher Other operating expenses, depreciation and amortisation were related to the Group’s investments in supporting its growth. The transfer of the S\$3.3 million from hedging reserve was due to the realisation of losses under hedging instruments. The net effect of the above resulted in lower profits for the quarter.

## **Financial Review**

Industrial sales were lower at S\$8.7 million in Q1FY07 as compared to S\$18.4 million in Q1FY06 as a result of the lead time between new contracts signed and execution and delivery of these new projects.

“Our order book from the Industrial sector remains strong as we secured a number of new contracts in Q1FY07. These strong orders were attributable to the Group’s competitive solutions using a wide range of membranes to customers from various sectors,” commented Ms Olivia Lum.

Municipal sales were lower at S\$4.6 million in Q1FY07 mainly due to the elimination of EPC revenue from SinoSpring, divestment in SingSpring and lower revenues from the Middle East.

Personnel expenses of S\$5 million was S\$0.4 million or 7% lower than that of the corresponding period in 2006. The Group remains committed to building its human capital to sustain the recurring income stream and expand into markets such as India, the Middle East and North Africa (“MENA”) region, as well as developing its new pillar of growth in oil recycling and other new applications in Specialised Materials.

Other operating expenses rose by 24% to S\$3.4million, due to commitment fees for the corporate term loan and higher travelling expenses in the current quarter as compared to the corresponding period. Depreciation and amortisation increased to S\$1.6 million as a result of increased investments in property, plant and equipment and intangible assets since the previous financial year.

The Group recorded a S\$8.1 million gain on the sale of the Group’s 20% equity interest in SingSpring to SingSpring Trust.

The Group’s healthy cash position stood at S\$32.1 million as at March 31, 2007.

## **Prospects**

Looking ahead, Hyflux remains optimistic about the macro environment on the water treatment and wastewater and used oil recovery sectors especially in Asia and the Middle East region.

The Chinese government’s recent active enforcement of its Water Resource Law (2002) has resulted in tremendous demand for new water infrastructure, operations and maintenance of water and wastewater treatment plant. This has translated to huge opportunities for Hyflux.

The Group has been awarded a total of 20 municipal projects and is developing an additional 30 projects in seawater desalination, water and wastewater treatment and recycling for various municipal governments and industrial park owners in China. It has delivered 4 wastewater treatment projects, which are now fully operational, and is expected to complete another 3 to 4 projects by the end of the year.

“We are a technology-driven company; our wide range of membrane applications will enable us to provide customised and competitive solutions to customers in various sectors,” commented Ms Lum.

An exciting development is in the used oil recycling segment. The Group recently announced the formation of a joint venture with Saudi Economic Development Company (SEDCO) and Lube Oil Re-refining Company (LUBREC) to invest S\$45m, to build and operate a used oil recycling plant in Jeddah, Saudi Arabia. Saudi Arabia is expected to generate more than 200,000 tonnes of used oil per year, but has re-refining capacity of only 80,000 tonnes currently. “This presents significant business opportunities for the Group and our JV partners,” said Ms Lum.

## **Funding**

The Group has successfully achieved a major milestone in its asset-light strategy following the completion of its divestment of 20% equity interest in SingSpring to SingSpring Trust. Looking ahead, the possible injection of SinoSpring projects to a trust structure will enable the Group to fuel the growth of its strong pipeline of BOO/BOT projects when these project values are unlocked and capital for the Group’s business activities are re-deployed.

## About Hyflux Ltd

Founded in 1989, Hyflux Ltd has rapidly grown to become one of Asia's leading 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 utilizing 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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