



NEWS RELEASE

HYFLUX 2QFY07 EARNINGS INCREASED BY 113% TO S\$5.2 MILLION ON REVENUE OF S\$38.8 MILLION

Key Highlights:

- **Strong pipeline with order book of S\$827 million**
- **China continues to be Group's main revenue driver**
 - **current total of 25 BOO/BOT projects**
 - **robust growth of Industrial projects**
- **Used oil recycling, our new area of growth is making good progress in Saudi Arabia. New facilities being developed in India, China and Singapore**
- **Healthy balance sheet with capacity for growth**

"We are strongly placed to move into our next phase of growth. We have a healthy balance sheet and are making good progress in executing our asset-light strategy. The potential injection of our completed projects into the trust structure will enable the Group to re-deploy its capital to fuel the Group's expansion plans.

"Used oil recycling – our new area of growth is making good progress. Our S\$45 million joint investment with SEDCO (Saudi Economic Development Company) in Saudi Arabia will open doors for our expansion into the Middle East. Going forward, we will continue to invest in these recycling facilities in Singapore, India and China to boost capacity and capture opportunities in this exciting segment.

“We have put in place a very 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, August 14, 2007 – Main Board-listed Hyflux Ltd (“Hyflux” or “the Group”), a leading regional player in integrated environmental solutions specialising in membrane technologies, today reported a 113% increase in earnings in Q2FY07 to S\$5.2 million from S\$2.4 million on the back of a revenue of S\$38.8 million.

FINANCIAL REVIEW

The Group’s 3% increase in revenue in Q2FY07 to S\$38.8 million from S\$37.5 million was mainly due to higher industrial sales, which increased 23% to S\$34.4 million due to the completion of projects.

Municipal sales were lower by 57% to S\$3.5 million in Q2FY07 mainly due to the elimination of EPC revenue from SinoSpring Utility Ltd (“SinoSpring”), which has become an 80% Hyflux subsidiary since July 2006; as well as a partial divestment in SingSpring and lower revenues from the Middle East.

Higher raw materials and consumables, personnel expenses and depreciation and amortisation in Q2FY07 were related to the Group’s investments in supporting its growth. Personnel expenses increased by 52% to S\$6.4 million in Q2FY07, from S\$4.2 million in the previous corresponding period in 2006 as the Group made further investments in its human capital for the investment evaluation of projects, its oil recycling business and engineering activities to support the Group’s expansion plans.

On the other hand, financial expenses were lower by 68% to S\$0.4 million and a negative goodwill of S\$2.6 million resulting from acquisition of business was recognised.

Share of losses from associates for Q2FY07 increased to S\$0.7 million due mainly to the adjustment of hedging reserve to the profit and loss account.

The net effect of the above resulted in an increase in Q2FY07 profit by 113% to S\$5.2 million from S\$2.4 million in the previous corresponding period.

Earnings per share increased by 50% to 0.87 in Q2FY07 from 0.58 in the previous corresponding period

Healthy Balance Sheet

The Group's healthy cash position stood at S\$49.2 million as at June 30, 2007. Shareholders' equity increased by S\$6.3 million or 3% to S\$207.4 million from S\$201.1 million as at December 31 2006. The Group's net debt to equity ratio decreased to 0.32 as at June 30 2007 from 0.43 as at December 31 2006 due to reduced Group borrowings as a result of the divestment of SingSpring.

PROSPECTS

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

"We have a strong order book of S\$827 million. Our fundamentals and competitive position have strengthened. We continue to focus on the execution of projects in target regions – China, India and the Middle East Northern African Region.

"To date, the Group has been awarded a total of 25 BOO/BOT projects in China and is developing more projects in the water desalination, water and wastewater treatment and recycling for the municipal government and industrial park owners. We have delivered 5 wastewater treatment projects, which are now fully operational, and have acquired another operational plant on a Transfer-Operate-Transfer ("TOT") basis. The capacity utilisation of these existing plants is expected to step up in the coming quarters.

“We have put in place a very 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 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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