



NEWS RELEASE

HYFLUX POSTS 3Q2008 RECORD QUARTERLY REVENUE OF S\$177.4 MILLION WITH A PROFIT AFTER TAX OF S\$18.5 MILLION

Key Highlights:

- **Record quarterly revenue of S\$177.4 million, an increase of more than two times as compared to 3Q2007.**
- **Profit After Tax grew by more than two times to S\$18.5 million.**
- **Earnings per share is more than two times higher at 3.30 cents.**
- **Strong growth in municipal sectors in China and Algeria.**
- **Strong balance sheet with net gearing at 0.55X.**

“The industry’s fundamentals remain strong and Hyflux will continue to focus on our key markets in China, India, Southeast Asia and the Middle East and North Africa (“MENA”) regions.

We have managed costs and executed projects well in China and Algeria. Our total operating costs, including raw material and consumables, are in line with the Group’s increased sales volume.

Our municipal sales increased by more than six times to S\$154.3 million in 3Q2008 from S\$24.6 million in previous corresponding quarter. Our portfolio of water infrastructure programs in China and Algeria provides stability and visibility of earnings for Hyflux in spite of adverse market conditions,” said Ms Olivia Lum, Group CEO, President and Managing Director.

Singapore, 4 November 2008 – Main Board-listed Hyflux Ltd (“Hyflux” or “The Group”), a leading global player in the integrated environmental solutions specialising in membrane technologies, today reported net profit after tax of S\$18.5 million on record revenue of S\$177.4 million for the quarter ended 30 September 2008 (“3Q2008”).

The Group’s strong performance is largely attributed to increased municipal sales in China and MENA.

Financial Review

The Group achieved profit after tax and minority interests of S\$17.3 million, which is more than two times higher as compared to the previous corresponding quarter.

China and MENA were the main growth areas for the Group, accounting for 98% of the total revenue. In China, Hyflux has 44 plants ranging from wastewater treatment, water recycling to seawater desalination, with primary focus in the Jiangsu, Tianjin, Hebei and Shandong provinces.

“We will continue to build our order book outside of China as well. For example, the Algerian government has put in place its plans for building desalination plants since 2005 to meet its growing demand for water and we intend to leverage on these initiatives to further our growth strategy in MENA. With the Group’s two desalination plants in Algeria, Hyflux is the largest single provider of membrane-based desalinated water,” said Ms Lum.

The Group’s revenue increased by more than two times to S\$177.4 million as compared to the previous corresponding quarter due to strong performance in the municipal sector. Municipal sector sales accounted for 87% of the revenue, and increased more than six times as compared to the previous corresponding quarter. Sales in China accounted for 67% of total revenue, while MENA contributed approximately 31% of total revenue for the quarter ended 30 Sep 2008.

Industrial sales of membrane systems to sectors such as petrochemical and pharmaceutical decreased from S\$39.2 million to S\$22.4 million compared to the previous corresponding quarter.

The Group's raw material and consumables costs increased from S\$42.3 million to S\$128.8 million in 3Q2008 in line with the increases in sales volume and cost of construction materials. Personnel expenses of S\$13.7 million are in line with the increase in headcount to support growth and productivity initiatives.

The Group's cash position stood at S\$93.9 million as at 30 September 2008 with a net gearing of 0.55 times.

Earnings per share increased to 3.30 cents in 3Q2008 from 1.28 cents in 3Q2007.

Recent Development

On 31 October 2008, the Group announced that it has entered into four sale and purchase agreements for the sale of shares in its wholly owned special purpose vehicles ("SPV") with Hyflux Water Trust Management Pte Ltd (acting as Trustee-Manager of Hyflux Water Trust). The total consideration for the sale of these four SPVs is S\$88 million. The sale and purchase transaction for three projects is expected to be completed in December 2008 and one project in December 2009.

Hyflux's subsidiaries will continue to provide operation & maintenance and management services to the SPVs.

Prospects

The Group views positively, the following:

- (a) The reduction in commodity prices in respect of the Group's engineering, procurement and construction businesses;
- (b) The Group expects stability in payment from the largely municipal government based customers;
- (c) The Group continues to see positive operational cash flows from Algeria; and
- (d) The Group expects to leverage on ongoing investment opportunities in China's water sector.

In view of the uncertainties arising from the global economic slowdown and significant deterioration in financial market conditions, we continue to adopt a practical and prudent approach in its business management. With the current credit conditions, we may see higher borrowing costs in the short term.

Specifically, industrial sales of membrane systems to sectors such as petrochemical and pharmaceutical, currently representing 17% of the Group's revenue for the nine months ended 30 Sep 2008, will likely be impacted by the economic slowdown in China.

Hyflux's municipal projects in China and Algeria are progressing on schedule. The Group is steadfast in the pursuit of project execution and process excellence. We will continue to focus on execution of our business plan and to build on our order book.

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About Hyflux Ltd

Founded in 1989, Hyflux Ltd has rapidly grown to become a global environmental technological company specialising in membrane technologies, with operations in Singapore and Southeast Asia, China, the Middle East and 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 and construction. It is also engaged in the commissioning, operation and maintenance of a wide range of water treatment and liquid separation plants on a turnkey or Design-Build-Own-Operate (“DBOO”) arrangement.

Hyflux was recently conferred the Most Transparent Company Award in the Services/ Utilities/ Agriculture Category at the SIAS Investors' Choice Awards 2008. In 2007, the Group received two awards namely, Technology Innovation of the Year Award 2007, Desalination Technologies (Asia Pacific) and Technology Innovation of the Year Award 2007, Residential Water Treatment Equipment Market (Southeast Asia) from Frost and Sullivan.

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.

For more information, please visit www.hyflux.com

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