



NEWS RELEASE

HYFLUX AND MITSUI SET UP JOINT VENTURE TO CAPTURE GROWTH OPPORTUNITIES IN CHINA'S WATER SECTOR

- **Hyflux to divest four water treatment plants to JV company**
- **JV company proposes to delist Hyflux Water Trust ("HWT") and acquire all remaining HWT units**
- **Move is to build foundation for the future**

Singapore, 2 August 2010 – Mainboard-listed Hyflux Ltd ("Hyflux"), a leading fully-integrated water solutions company and Mitsui & Co., Ltd. ("Mitsui"), a global diversified trading, investment and service group, today signed a joint venture ("JV") agreement to develop water projects in China.

The newly-formed 50:50 joint venture company, Galaxy NewSpring Pte Ltd ("JV Company"), will serve as the partners' vehicle for investing, developing and managing projects in the fast-expanding water sector in China.

According to Global Water Intelligence, the Chinese Government is expected to double its budget for environmental protection and water resource development to approximately US\$450 billion for 2011 to 2015 from US\$219 billion for 2006 to 2010.

"This strategic partnership with Mitsui underscores the importance of the high-growth water sector in China to both companies. By combining our complementary strengths – Hyflux's fully-integrated water solutions and strong track record and experience in China, and Mitsui's entrenched global network, comprehensive infrastructure services and robust capital structure – we form a powerful platform to accelerate investments in developing critical infrastructure to meet China's needs for clean, safe and affordable water," said Ms Olivia Lum, Group President & CEO of Hyflux.

“We are pleased to partner with Hyflux to collaborate on capturing the growth opportunities in China’s water sector and to share our considerable resources and experience in the development and operations of infrastructure projects worldwide towards the realization of our shared business goals in this vast market,” said Mr Jun Aketa, General Manager, First Projects Development Division of Mitsui.

The JV Company’s initial project portfolio will comprise four water treatment plants that it will acquire directly from Hyflux’s wholly-owned subsidiary, Spring China Utility Ltd, for US\$53.1 million. The four plants are Jiangxi Leping Water Treatment Plant, Anhui Mingguang Water Treatment Plant, Hunan Taoyuan Water Treatment Plant and Liaoyang Gongchangling Water Treatment Plant (“Four Plants”). The divestment of the Four Plants by Spring China Utility Ltd will result in a gain of approximately S\$6 million for Hyflux in the current financial year subject to audit confirmation.

The JV Company is also seeking to delist HWT and will make an Exit Offer to acquire all remaining HWT Units not controlled by Hyflux for S\$0.78 per Unit, subject to (1) the approval of the delisting proposal by HWT unitholders and (2) the JV Company together with the relevant concert parties controlling not less than 75% of the total voting rights in HWT as at the close of the Exit Offer. The Exit Offer price represents the highest price for the Units in the last two years and a premium of approximately 17% over the volume-weighted average price of the units for the last one-month. An Extraordinary General Meeting of HWT’s unitholders will be held in connection with the delisting proposal at a date to be announced. Hyflux, as HWT’s Sponsor, is not required to abstain from voting on the delisting proposal and Hyflux Water Projects Ltd, its wholly-owned subsidiary which owns 31.37% of HWT, intends to vote in favour of the proposal.

Explaining further the proposal for HWT to delist, Ms Lum said the global financial and economic crisis over the last two years had altered the financing landscape for project sponsors.

“On the back of the recent financial uncertainties, the borrowing process has lengthened for project sponsors. This may impact the ability of HWT to invest in new projects where speed to market is often critical. In addition, we are increasingly seeing projects with longer gestation periods that may not meet HWT’s investment mandate for yield-accretive investments,” said Ms Lum.

“Therefore we are offering an attractive exit route for HWT’s unitholders,” she added.

The acquisition of the Four Plants by the JV Company from Hyflux is expected to be completed in the fourth quarter of FY2010 and is not contingent upon the successful delisting of HWT.

– End –

About Mitsui

Mitsui is one of the world's most diversified and comprehensive trading, investment and service enterprises. It is headquartered in Tokyo, Japan and its key business areas include mineral resources and energy, logistics networks, consumer business and infrastructure projects.

Mitsui made its first major venture into the water business in the mid-1990s and has since, through strategic investments in Turkey, Thailand and Mexico, established itself as a comprehensive water infrastructure services provider with global reach and strong growth opportunities.

For more information, please visit www.mitsui.co.jp

About HWT

HWT is the first pure-play global water business trust to be listed on a securities exchange in Asia that provides investors with an opportunity to invest in water-related infrastructure assets in China, India, the Middle East and North Africa and other high-growth markets globally.

HWT is able to benefit from the market reach, extensive experience, technical expertise and reputation in the water industry of its Sponsor, Hyflux, and its group of companies.

The 18 water plants in HWT's portfolio have a total designed capacity of 580,000m³/day. Operating under long-term concession agreements, they are expected to generate cash flows which will provide long-term, regular and predictable distributions. Investments and acquisitions that HWT pursues should be yield-accretive and provide long-term, regular and predictable cash flow.

About Hyflux

Hyflux is one of the world's leading fully-integrated water solutions companies, with operations and projects in Southeast Asia, China, India, the Middle East and North Africa.

Hyflux's spirit of innovation and entrepreneurship drives its technological advancements in membranes, commercialisation of applications, project management, and operations and maintenance.

Hyflux is committed to providing cost-effective, reliable and sustainable solutions to its customers worldwide in seawater desalination, water recycling, wastewater treatment, including membrane bioreactor (MBR) and potable water treatment. Hyflux's track record includes Singapore's first NEWater plant and seawater desalination plant and China's largest membrane-based seawater desalination plant in Tianjin Dagang. The company is building the world's largest membrane-based seawater desalination plant in Magtaa, Algeria and Asia's largest MBR in Singapore.

For more information, please visit www.hyflux.com

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