



NEWS RELEASE

HYFLUX REPORTS STRONG GROWTH FOR FY2004

- Net profit climbs 37% to S\$26.8 million
- China market spearheading growth
- Middle East market targeted for aggressive expansion
 - Secured two projects worth US\$60 million

	FY2004 S\$ (m)	FY2003 S\$ (m)	Change %
Revenue	88.7	81.2	9.0
Profit Before Tax	29.5	19.9	48.0
Net Profit	26.8	19.5	37.0
EPS (cts)	8.53	6.27	36.0

Singapore, February 23, 2005 – Main Board-listed Hyflux Ltd (“Hyflux”), a leading regional player in water and fluid treatment systems with proprietary membrane technology, today reported an impressive set of financials for the financial year ended December 31, 2004 (“FY2004”), delivering on its target to grow profit at an average CAGR of 30% from 2003 to 2008.

Net profit jumped 37% to S\$26.8 million on the back of Group revenue of S\$88.7 million compared to S\$81.2 million the previous year. Net margin improved by 6% to 30% and earnings per share improved 36% to 8.53 cents.

“We are delighted that the Group continued to perform strongly in FY2004. While we have met our target in delivering another year of profitable growth, we are not resting on our laurels. We will continue to work hard to consistently deliver strong growth to enhance value for our shareholders. With a steady stream of projects in the pipeline and the good progress that we are making in the global arena, we are confident of a bright outlook for FY2005,” said Ms Olivia Lum, Group CEO and President.

Financial Review

The increase in sales was boosted mainly by higher sales of industrial and consumer products. For FY2004, Hyflux recorded an 88% rise in industrial sales to S\$64.9 million from S\$34.4 million, with most of the growth coming from China. Industrial sales accounted for 73% of the Group’s total sales, up from 43% the previous year.

The Group’s municipal sales of S\$16.6 million, largely contributed by the completion of the design phase of the seawater desalination plant in China’s Liaoning province, representing 19% of total revenue in FY2004, as compared to 54% in FY2003.

In line with the higher industrial sales, gross margin for the year strengthened to 59% for FY2004 as compared to 55% last year.

FY2004 also saw sales from the consumer division grow by 157% to S\$7.1 million, contributing 8% of total Group revenue. Consumer products have been sold mainly through a network of distributors and these comprise the dragon-fly™, a potable water-generating machine and *Pureflo*, a filtration device attached to water taps and using the Group’s proprietary ultra-filtration membrane.

Geographically, China was the dominant growth market in 2004, contributing 82% of the Group's total revenue compared to 40% the year before. Growth came from both the municipal and the industrial sectors. Middle East, a growing market for the Group, made a maiden contribution of 3% to Group revenue for the year. The balance 15% of sales was derived from industrial and consumer products.

For FY2004, net profit increased by 37% to S\$26.8 million, with an improvement in net margin to 30% from 24% the previous year. The Group's earnings per share rose 36% to 8.53 cents from 6.27 cents.

Strong Balance Sheet

Profit generated from operations and issuance of new shares pursuant to employee stock options exercised contributed to a stronger equity position for the Group of S\$112.6 million as at December 31, 2004, compared to S\$85.5 million in the beginning of the year. This was partially offset by a dividend payment.

Working capital increased by S\$57.1 million to S\$108.6 million, boosted by a significant increase of S\$29.4 million to S\$61.3 in cash balance.

During the year, S\$136.7 million of a project financing loan was drawn down for the capital expenditure of the seawater desalination plant. This resulted in a net debt-to-equity ratio of 0.72. Excluding the project financing loan, the Group is in a net cash position.

Net asset value of the Group was up by 30% to 35.7 cents. Return on equity was 24% as against 23% last year.

Robust Performance from China; Middle East Set to be the Next Growth Driver

China will continue to be an exciting growth market for the Group, especially in the pharmaceutical and biotechnology as well as the chemical and petrochemical segments.

“We remain bullish about China, given its rapid industrialisation and strong emphasis on the availability of water resources to sustain economic development. Thus, we remain committed to this market and will continue to capitalise on our engineering expertise and proprietary state-of-the-art membrane technology to tap its huge growth potential,” explained Ms Lum.

The next growth market for Hyflux is the Middle East. Dubai-based Istithmar Group signed a share subscription agreement with Hyflux in November last year. Istithmar is an investment holding company and part of a group of companies comprising, among others, the Ports, Customs, and Free Zone Corporation and Nakheel Corporation, of Dubai, United Arab Emirates.

“Going forward, the joint venture with Istithmar is set to pave the way for Hyflux to tap the lucrative Middle East market. This new market offers vast potential and will be another key growth driver for us,” said Ms Lum.

Outlook

Overall, Hyflux will continue to enlarge its market share in China, particularly in the industrial sector in the pharmaceutical, biotechnology, chemical and petrochemical segments.

The Group has secured a landmark contract to set up a joint venture to build, own and operate a US\$65 million organic acid plant in China's Ningxia province. The agreement

calls for Hyflux to undertake the engineering, procurement and construction of the plant at an estimated price of US\$55 million under the first phase, which is scheduled for completion next year.

On the home front, Hyflux plans to start turning seawater into drinking water at Singapore's first S\$200 million desalination plant in the second half of this year. The plant has started commissioning in January 2005 and its construction is targeted to be completed ahead of the December schedule.

"Our current order book stands at S\$234 million, an increase of 277% compared to last year's order book of S\$60 million. The increase was mainly from projects in Middle East and China. Middle East will be our next growth area with potential orders of US\$340 million. We have, in fact, been awarded two Design, Build, Own and Operate contracts from Nahkeel LLC with a total value of US\$60 million," added Ms Lum.

The two contracts, awarded to the Hyflux/Istithmar joint venture company, by Nahkeel LLC are for the following:

- (a) the construction of a seawater desalination plant located on the east of the main crescent of the Palm Jumeirah in Dubai; and
- (b) a sewage treatment plant at the Dubai Metals and Commodities Centre.

The estimated total project value of the two contracts is USD 60 million.

Project documentation for the two contracts are in progress and is expected to be executed soon.

Barring unforeseen circumstances, the Group remains confident that its target to grow sales and profit at an average CAGR of 30% over the period from 2003 to 2008 is achievable.

Proposed Bonus Issue and Dividend

The Group is proposing a bonus issue of up to 166 million new ordinary shares of S\$0.05 each in the capital of the Company on the basis of one Bonus Share credited as fully paid for every two existing ordinary shares held by the shareholders of the Company at the books closure date. Hyflux is also proposing a first and final cash dividend of 1.27 cents per ordinary share.

About Hyflux Ltd

Established in 1989, Hyflux Ltd is one of Asia's largest water and fluid treatment companies, specialising in membrane technologies. It has operations in both Singapore and China.

Certified to ISO 9001:2000 quality management standards, Hyflux provides a comprehensive range of innovative water and fluid treatment solutions to industries, municipalities and governments in the Asia Pacific region. As the membrane technology provider behind Singapore's first-ever NEWater and seawater desalination plants, Hyflux provides a total solution ranging from process design to turnkey engineering, procurement and construction (EPC), pilot testing, installation, commissioning, operation and maintenance of water and fluid treatment plants.

In 2003, the Group acquired the patent for extracting moisture from the ambient air to produce fresh drinking water, heralding its foray into the consumer market, with its dragon-flyTM air-to-water aquovatorTM.

Hyflux's core business includes:

- Raw water purification, water treatment, wastewater, water recycling and sea water desalination;

- Liquid separation applications for the manufacturing sector such as the pharmaceutical, biotechnology, food processing and petrochemical oil related industries;
- Structured "Build-Own-Operate" (BOO) solutions for raw and wastewater, seawater desalination as well as the industrial manufacturing sector; and
- Air-to-water aquovators™ and home filters for the consumer sector.

Hyflux was the first company in the water treatment industry to be listed on the SGX-Sesdaq in January 2001 and was later upgraded to the Main Board in April 2003.

ISSUED ON BEHALF OF	:	Hyflux Ltd
BY	:	Citigate Dewe Rogerson, i.MAGE Pte Ltd 1 Raffles Place #26-02 OUB Centre SINGAPORE 048616
CONTACT	:	Ms Dolores Phua / Ms Jessinta Tan at telephone
DURING OFFICE HOURS	:	6534-5122 (Office)
AFTER OFFICE HOURS	:	9750-8237 / 9781-3267 (Handphone)
Email	:	dolores.phua@citigatedrimage.com jessinta.tan@citigatedrimage.com

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