

**HYFLUX LTD**

Company Registration No: 200002722Z

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**HYFLUX, SEDCO & LUBREC INVEST S\$45 MILLION IN FIRST MEMBRANE BASED USED OIL RECYCLING PLANT IN SAUDI ARABIA**

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Hyflux is pleased to announce that it has today signed a shareholders' agreement with Saudi Economic Development Company ("SEDCO") and Lube Oil Re-refining Co., LLC ("LUBREC") to collect, treat and recover used-oil collected from the power, petrochemical, marine and automotive industries to high grade base oil in Saudi Arabia.

Hyflux and SEDCO will invest into LUBREC to gain a shareholding of 41.5% respectively in LUBREC, with LUBREC holding 17% of the JV company ("JV Company"). Hyflux, SEDCO and LUBREC will invest a total of S\$45 million in two phases over the next three years into JV Company.

As part of the joint venture, Hyflux will sell and install Hyflux's Advanced Membrane System ("HAMS") to LUBREC's existing used-oil recycling plant in Jeddah, Saudi Arabia ("Plant") as well as undertake relevant engineering procurement and construction work to upgrade and commission the Plant to achieve a designed processing capacity of 24,000 tonnes per year in phase 1, which is expected to be completed in the first half of 2008.

Construction work for the Plant is scheduled to commence after obtaining all necessary permits and approvals. The capacity is expected to be doubled to 48,000 tonnes per day in phase 2.

The three party collaboration will leverage upon Hyflux's proven membrane technology for purification and recovery of the used-lube oils SEDCO's financial capability as a leading Saudi-based investment management organisation as well as LUBREC's used oil collection and distribution network and industrial connections in Saudi Arabia.

Commenting on the joint venture, Chief Executive and Group CEO of the Company, Ms Olivia Lum says: "This JV is the first Hyflux joint venture in Saudi Arabia which will benefit from Hyflux's membrane-based technology. The selection of the partners

of JV is consistent with the Company's philosophy that our used-oil recycling partner must exhibit strong used oil collection channels. ”

Saudi Arabia is one of the largest consumers of lubricants (per capita) worldwide. Its population of about 24 million consumed some 350,000 metric tonnes of lubricants in 2006. The available used oil generated annually exceeds 200,000 metric tonnes, but current annual re-refining capacity is only at 80,000 metric tonnes. This market presents an attractive business opportunity for the JV.

To update, as the Singapore used-oil centre is of limited capacity, Hyflux is also planning the second phase of used-oil recycling in new facility in Singapore. At the same time, Hyflux is developing 3 used-oil recycling centres in Malur of Bangalore, India and Beijing and Taizhou in China. The addition of these used-oil recycling centres will boost the limited capacity in the Singapore market. The total investment for all 5 projects will amount to approximately S\$100 million.

The above transaction is not expected to have a material financial impact on the Group for the current financial year. Hyflux expects the used-oil recycling business to contribute positively towards Hyflux's financials from 2008.

By Order of the Board

Grace Goh Bee Kheng  
Company Secretary

Submitted on 8 May 2007 to SGX-ST

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## **About SEDCO**

SEDCO (Saudi Economic and Development Company Ltd.) is a major, innovative private wealth management company with a wide and diversified spectrum of financial, real estate and direct investments in Saudi Arabia and around the world. The company combines modern money management techniques with Islamic investment guidelines. SEDCO is a leader in pioneering Islamic investment products for the global marketplace.

Today, SEDCO is organized into 3 business groups: Direct Investments; Financial investments and Real Estate Investments

The Direct Investment Group (DIG) is dedicated to SEDCO's private equity investments in the MENA region and selected countries in South and Southeast Asia. Out of its offices in Dubai, the experienced DIG team seeks investment opportunities that are in line with SEDCO's Shari'ah guidelines and investment criteria.

## **About LUBREC**

LUBREC (Lube Oil Re-Refining Company) is a licensed used oil collector and recycler in Saudi Arabia, specializing in the collection & recovery of waste oil (Hydraulic oil, transmission oil, turbine oil, gear oil, motor engine oil, thermal oil ) from industries such as power, petrochemical, marine and automotive.

Its treatment and storage facilities are located at the main Jeddah Industrial Estate for a capacity of up to 75,000 TPA as output production of used lube oils.