



NEWS RELEASE

HYFLUX RECEIVES ELIGIBILITY-TO-LIST LETTER FOR HYFLUX WATER TRUST

- **Hyflux to inject 13 water plants into Hyflux Water Trust;**
- **Establishment of business trust in line with Hyflux's asset light strategy.**

11 October, Singapore – Singapore Main Board listed Hyflux Ltd ("Hyflux" or the "Company") is pleased to announce that a business trust sponsored by the Company, Hyflux Water Trust ("HWT" or "the Trust"), has received an eligibility-to-list ("ETL") letter from the Singapore Exchange Securities Trading Limited ("SGX-ST"), for the proposed listing of units in HWT on the Main Board of the SGX-ST. Hyflux Water Trust Management Pte. Ltd. (the "Trustee-Manager"), a wholly-owned subsidiary of Hyflux, will be the Trustee-Manager of HWT.

HWT will be the first pure-play global water business trust to be listed on a securities exchange in Asia. It will focus on investments in water-related infrastructure assets. HWT's initial portfolio will comprise 13 water plants in the People's Republic of China ("PRC"), which will be injected by Hyflux, with a total capacity of 445,000 m³/day. Operating under long-term concession agreements with the relevant local authorities, these 13 water plants include three water treatment plants, eight waste water treatment plants and two water recycling plants. In addition to the PRC, HWT intends to invest in India, the Middle East and North Africa ("MENA") region, and other high-growth markets globally. Positioned for future growth, HWT will pursue yield accretive acquisitions to achieve regular and growing distributable income for investors.

Hyflux intends to position HWT as its primary platform for investing in water-related infrastructure assets and will grant the Trustee-Manager a right of first offer, a right of first refusal and right to match ("ROFOAR") on all water-related infrastructure assets owned by the Hyflux Group. There are currently 15 wholly-owned water-related infrastructure assets available under the ROFOAR, with a total capacity of 590,000 m³/day.

To further demonstrate its commitment to HWT, Hyflux will retain between one-quarter and one-third of the total number of HWT units upon the close of HWT's Initial Public Offering ("IPO"), which is expected to make Hyflux the single largest unitholder of HWT. Hyflux will undertake not to dispose of such stake in HWT for two years after the listing of HWT. Hyflux will also give certain undertakings to help HWT meet its projected distributions for the two financial years ending 31 December 2008 and 31 December 2009 after its listing.

Three principal executive officers of Hyflux, namely Saud Siddique, the Group Executive Vice-President, Global Infrastructure; Grace Goh, the Group Chief Financial Officer and Executive Vice-President; and Daniel Yeung, Vice President, all of whom have extensive experience in the infrastructure and water sectors, will join the Trustee-Manager with immediate effect and spearhead HWT's management and growth. Mr

Siddique will be both a director and the Chief Executive Officer of the Trustee-Manager; Ms Goh will serve as the Chief Financial Officer, Chief Investment Officer and Company Secretary of the Trustee-Manager; while Mr Yeung will serve as Vice President, Investment of the Trustee-Manager.

Commenting on the injection of the 13 plants into HWT and the proposed listing of HWT, Ms Olivia Lum, Hyflux's Group CEO and President said, "The establishment of HWT is another major milestone for Hyflux. First, it allows us to use a business trust structure to achieve our asset light strategy, unlocking value for shareholders and enabling the redeployment of our capital to fuel our future expansion plans. Second, Hyflux can benefit from new sources of long-term recurring income. Ultimately, we believe that the establishment and proposed listing of HWT will position the Hyflux Group for future growth, thereby increasing value for our shareholders."

Through the retention of a stake in HWT, Hyflux can expect to benefit from recurring income streams generated from distributable income from HWT. Hyflux will also receive other long-term recurring fee income streams from services provided to HWT, including operation and maintenance fees, management services fees, trustee management fees, engineering, procurement and construction fees, among others.

In addition, Hyflux Group expects to realise a gain from the divestment of the Initial Plants. The financial effects of the divestment on the Company's net tangible assets per share and earnings per share will be announced upon the close of HWT's IPO, as the purchase price of the Initial Plants will be based on the price at which HWT units are offered in the IPO. The proceeds from the disposal are intended for distribution of dividends to shareholders, investments in new projects, general working capital purposes, and/or refinancing of existing debt obligations.

J.P. Morgan (S.E.A) Limited has been appointed as the sole global coordinator, financial adviser, bookrunner and issue manager for HWT's IPO.

In connection with the IPO¹, the Trustee-Manager will lodge the preliminary prospectus of the Trust with the Monetary Authority of Singapore ("MAS") in due course. More details of the Trust will be available in the preliminary prospectus.

¹ The proposed IPO is subject to regulatory approvals, finalisation of commercial agreements and market conditions, among other things. The ETL letter from the SGX-ST is not an indication of the investment merits of the Trust, its units or the IPO.

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 commercialisation of specialty materials utilising 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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IMPORTANT NOTICE

The information contained in this Announcement does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for shares in Hyflux or units in HWT ("Units") in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment or investment decision whatsoever.

The information in this Announcement is qualified in its entirety by, and is subject to, the more detailed information to be set out in the final prospectus ("**Prospectus**") to be registered by the Monetary Authority of Singapore (the "**Authority**") in connection with the IPO. The information presented in this Announcement is subject to change. After registration of the Prospectus by the Authority, copies of the Prospectus may be obtained, subject to availability, from J.P. Morgan (S.E.A.) Limited and, where applicable, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. Anyone wishing to purchase the Units should read the Prospectus before deciding whether to purchase the Units and will need to make an application in the manner set out in the Prospectus.

The value of the Units and the income derived from them may fall as well as rise. Units are not obligations or, deposits in, or guaranteed by, the Trustee-Manager or any of its affiliates. An investment in the Units will be subject to investment risks, including the possible loss of the principal amount invested. Investors will have no right to request that the Trustee-Manager redeem or purchase the Units while the Units are listed. It is intended that holders or units ("**Unitholders**") may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This Announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States unless they are registered or are exempt from registration. The Company does not intend to register any portion of this offering in the United States or conduct a public offering in the United States. Any public offering of securities to be made in the United States would be made by means of a prospectus that would contain detailed information about the Company and its management, as well as its financial statements, in compliance with all relevant laws. The Company does not have any current intention to make any public offering of, or to register any of its securities in, the United States. No money or other consideration is being solicited by this announcement, and if sent in response to this announcement, will not be accepted. Copies of this announcement are not being, and should not be, distributed in or sent into the United States, Canada or Japan.

This Announcement may contain forward-looking statements that involve risks and uncertainties. Any actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Trustee-Manager or Hyflux or any other person or that these results will be achieved or are likely to be achieved. Potential investors are cautioned not to place undue reliance on these forward-looking statements, which are based on Hyflux's current view of future events.

Any projections as to the financial performance of Hyflux or HWT is not guaranteed and there is no certainty that it can be achieved. Potential investors should read the whole of the Prospectus for details of the forecasts and projections and consider the assumptions used and make their own assessment of the future performance of Hyflux or HWT.

As of the date of this Announcement, HWT is not listed on the SGX-ST. When HWT is listed, an investment in HWT will involve risks, including without limitation, risks relating to the plants, risks relating to HWT's operations and risks relating to investing in water-related infrastructure assets. Readers of this Announcement as well as all prospective investors in the Units should read the Prospectus when it is available before taking any action in respect of the Units or deciding whether to purchase the Units on the secondary market.