

HYFLUX LTDCompany Registration No: 200002722Z

HYFLUX SIGNS JOINT VENTURE AGREEMENT FOR THE DEVELOPMENT, CONSTRUCTION, OPERATIONS OF A SEAWATER DESALINATION PLANT OF 200,000M3/DAY AT SOUK TLETA, WILAYA OF TLEMEN, ALGERIA ("PROJECT")

Further to the announcement on 29 October 2006, Hyflux Ltd ("Hyflux") is pleased to announce that Hyflux and Malakoff Berhad ("Malakoff") (together referred to as the "Consortium") has entered into a Joint Venture Agreement with the Algerian Energy Company ("AEC"), on the formation of a project company ("Project Company") to design, develop, finance, construct, operate and maintain a seawater desalination plant of 200,000 m³/day at Tlemcen, Algeria for a period of 25 years ("Project").

The Joint Venture Agreement sets out the rights and obligations of the respective parties under the Project Company as well as the management and structure of the Project Company.

AEC will participate in the Project by holding 49% of the Project Company. The balance 51% will be held by the Consortium. Malakoff and Hyflux will through their wholly owned subsidiaries hold 80% and 20% of the Consortium respectively.

Under the 25-year concession, the Project Company will be granted the right to supply 200,000m³/day of desalinated water to L'Algerienne Des Eaux ("ADE"), the state-owned national water entity of Algeria and Sonatrach SPA, the national oil company of Algeria.

The Engineering, Procurement and Construction ("EPC") works estimated at USD 205 million (approximately S\$328 million) will be undertaken by wholly owned subsidiaries of Hyflux. The Project is estimated to be completed within 24 months from financial close.

The total project cost is estimated to be USD 238 million (approximately S\$ 380 million) of which 80% will be project financed by a group of Algerian banks. The Company's interest based on its effective equity interest of 10.2% is estimated to be US\$ 5 million (approximately S\$ 8 million).

After the signing of the JVA, the Consortium and AEC will undertake the next phase contemplated within the JVA which will lead to the signing of the remaining project documents, including the Water Purchase Agreement and financing agreements and achieving financial close for the Project.

The Project is expected to have a material impact on the Group's financials for the current financial year.

By Order of the Board

Grace Goh Bee Kheng
Company Secretary

Submitted on 29 March 2007 to SGX-ST