

HYFLUX LTD

Company Registration No: 200002722Z

Hyflux increases its shareholding in SinoSpring Utility Ltd

Hyflux Ltd (“Company”) is pleased to announce that its shareholding in SinoSpring Utility Ltd (“SinoSpring”) has increased from the current 50% to 80% by way of an equity injection of about US\$25 million, resulting in SinoSpring being considered a subsidiary of the Company. RB (Labuan) Ltd is the other shareholder of SinoSpring.

Pursuant to the announcement on March 30 2006 relating to the proposed investment by International Finance Corporation (“IFC”), IFC’s preferred equity interest in SinoSpring of up to US\$20 million will remain unchanged. IFC is the commercial lending arm of the World Bank.

SinoSpring currently has a portfolio of 13 projects in China relating to seawater desalination, water and wastewater treatment and recycling for municipal governments and industrial park owners. These projects have an estimated capacity of 540,000 m³/day in total and are worth approximately S\$400 million in asset value after completion. In addition, these projects will generate 25 to 30 years of recurring revenue of about S\$160 million to S\$170 million each year for the Group when fully operational. In view of the vast opportunities of water and wastewater treatment in China, SinoSpring will be further developing a strong pipeline of suitable BOO/BOT projects in China.

Apart from equity, funding of SinoSpring’s portfolio of 13 projects will be through internally generated funds from completed projects, IFC and shareholders’ loans and local project financing.

As SinoSpring now becomes a subsidiary of the Company, in compliance with Singapore Financial Reporting Standards, all inter-company transactions, including revenue arising from EPC works performed by the Hyflux Group for the SinoSpring portfolio of projects will be eliminated on consolidation. As such, the Group’s consolidated financial performance for the current financial year will reflect the said change.

Commenting on the rationale of this decision, Group CEO and President of the Company, Ms Olivia Lum said, “It is the Company’s objective to build on long-term recurring income and SinoSpring remains focused in developing suitable BOO/BOT projects in China. At an appropriate time, the Company shall put in place a business structure to achieve its asset-light strategy while retaining long-

term recurring revenue derived from operations and maintenance work (O&M).
We shall make further announcements in this regard in due course.”

By Order of the Board

Grace Goh Bee Kheng
Company Secretary
Submitted on 7 November 2006 to SGX-ST