

Company Announcement



Boustead Singapore Limited
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BOUSTEAD SIGNS HEADS OF AGREEMENT TO SUPPLY CLEAN TREATED WATER IN YOGYAKARTA

Singapore, 5 July 2004

The Board of Directors of Boustead Singapore Limited (“Boustead” or the “Company”) is pleased to announce that the Company has signed a Heads of Agreement with the Sultan of Yogyakarta, Sultan Hamengku Buwono X, and has been selected by the Government of the Special Region of Yogyakarta Province (“GOY”) for the supply of clean treated water to the city of Yogyakarta and its sub-districts of Sleman and Bantul with a total population of 2.2 million people under a Design-Build-Own-Operate (“DBOT”) scheme covering an area of 1,115 square kilometres, about 1.8 times the size of Singapore island.

Project Synopsis

The project shall be executed in various phases and the first phase will have a capacity of 100,000 cubic metres per day, equivalent to about 10% of the total water demand of Singapore. The second phase of the project is expected to be executed within five years of the concession and will expand the water supply facility to a capacity of 200,000 cubic metres per day. The final phase is expected to be completed within ten years of the concession and will have a capacity of 300,000 cubic metres per day.

Initial site survey and other preliminary works have commenced and the estimated construction cost is as follows:

Phase 1:	US\$35 million
Phase 2:	US\$20 million
Phase 3:	US\$20 million
Total:	US\$75 million

The project will primarily be funded by non-recourse bank borrowings and a smaller component of equity contribution on the part of Boustead and other Indonesian investors (the “Indonesian Investors”). The financial arrangement with banks is being processed and is expected to be completed by the third quarter of 2004. Boustead intends to own 49% of the equity of the project although discussions are underway with the Indonesian Investors to determine the respective equity contribution of each investor. A further announcement containing more details will be made when discussions with the Indonesian investors and the financial arrangements with the banks are finalised.

Site work is expected to commence in the last quarter of 2004 and is expected to be completed at the beginning of 2006. The Engineering, Procurement and Construction (“EPC”) contract for the whole project will be carried out by Boustead’s Water & Environmental Division, which includes Salcon Limited. The EPC portion of the contract is expected to generate material income for Boustead’s Water & Environmental Division.

Key Terms of the Agreement

The terms of the agreement signed between Boustead and the GOY include:

- ▶ A BOT period set at 25 years which can be extended;
- ▶ An initial minimum off-take guarantee which escalates in successive years in accordance with the demographic growth of the province;
- ▶ A payment guarantee provided by the provincial government;
- ▶ Exchange rate protection in the tariff formula; and
- ▶ A tariff base tariff which escalates in successive years in accordance with a formula which takes into account inflation.

Approval from the shareholders of the Company, if required, will be sought.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Project.

About Yogyakarta

As the cultural and intellectual centre of Indonesia, Yogyakarta is Indonesia's most popular tourist destination after Bali. According to the GOY, Yogyakarta has some 10,000 hotel rooms available, with an occupancy rate exceeding 70%, which is higher even than Bali's 40 percent level. It also has a thriving student population with over 120 public and private higher learning institutions.

Boustead believes that Yogyakarta offers an attractive investment climate and is represented by a transparent and strong government administration headed by Sultan Hamengku Buwono X. Boustead believes that the Sultanate, designated as one of two Special Regions in Indonesia, has the lowest political risk among provinces in Indonesia. According to press reports and the GOY, Yogyakarta was the only province in Indonesia that issued a balance sheet in 2003, and has been designated as the model for good and accountable government in Indonesia.

The potential of water demand in the region is very great as only 19.8% of the whole Yogyakarta population is provided with clean treated water at the moment. With the completion of the whole project, it is expected that 60% to 70% of the population will be supplied with clean treated water. Yogyakarta is also seeking private investments for infrastructure projects.

About Boustead's Water & Environmental Division

Boustead's Water & Environmental Division is led by its subsidiary, Salcon Limited, a leading water treatment company with substantial experience in undertaking projects globally. Salcon Limited has undertaken projects in Indonesia, the United Kingdom, China, Singapore, Malaysia, Philippines, Thailand, Saudi Arabia, South America and Libya. It has substantial experience in undertaking projects on a BOT basis and is operating a 200MW power station in the Philippines.