



HYFLUX LTD
Registration number : 200002722Z

Unaudited Financial Statements For The First Quarter Ended 31 March 2009

The Directors of Hyflux Ltd wish to announce the unaudited results of the Group for the first quarter ended 31 March 2009.

1 (a)(i) CONSOLIDATED INCOME STATEMENT for the first quarter ended 31 March 2009

	<u>The Group</u>		Change %
	<u>First quarter ended 31 Mar</u>		
	2009 S\$'000	2008 S\$'000	
Revenue	88,204	89,602	(2)
Other income	1,537	714	115
Changes in inventories of finished goods and work-in-progress	988	(2,771)	NM
Raw materials and consumables used and subcontractors' costs	(59,911)	(65,950)	(9)
Staff costs	(12,991)	(10,295)	26
Depreciation and amortisation	(2,427)	(2,092)	16
Other expenses	(4,735)	(2,032)	133
Finance costs	(2,979)	(2,081)	43
Share of (loss)/profit of associates, net of tax	(852)	468	NM
Profit before tax [Note 1(a)(iii)]	6,834	5,563	23
Taxation	(1,756)	1,132	NM
Profit for the period	5,078	6,695	(24)
Profit attributable to:			
Owners of the parent	5,136	5,742	(11)
Minority interests	(58)	953	NM
	5,078	6,695	(24)

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the first quarter ended 31 March 2009**

	<u>The Group</u>		Change %
	<u>First quarter ended 31 Mar</u>		
	2009 S\$'000	2008 S\$'000	
Profit for the period	5,078	6,695	(24)
Other comprehensive income			
Exchange differences on translating foreign operations	12,420	(3,222)	NM
Cash flow hedges			
Exchange losses arising during the financial period	(8,780)	-	NM
Share of cash flow hedges of associates	612	(718)	NM
Other comprehensive income / (loss) for the period, net of tax	<u>4,252</u>	<u>(3,940)</u>	NM
Total comprehensive income for the period	<u><u>9,330</u></u>	<u><u>2,755</u></u>	239
Total comprehensive income attributable to:			
Owners of the parent	8,944	1,975	353
Minority interests	386	780	(51)
	<u><u>9,330</u></u>	<u><u>2,755</u></u>	239

NM: Not meaningful

NOTES TO CONSOLIDATED INCOME STATEMENT

1(a)(iii) Profit before tax of the Group is arrived at after (charging)/crediting the following: -

	<u>The Group</u>		Change %
	<u>First quarter ended 31 Mar</u>		
	2009 S\$'000	2008 S\$'000	
Fair value loss on derivative financial instruments	-	(169)	NM
Finance income	752	531	42
Impairment of trade and other receivables	(45)	(4)	NM
Net foreign exchange gain	5,438	5,085	7
Net loss on disposal of property, plant and equipment	(10)	(63)	NM
Provision for inventory obsolescence and inventory written down	(6)	(1)	NM

1(b)(i) STATEMENTS OF FINANCIAL POSITION as at 31 March 2009

	The Group		The Company	
	31 Mar 09	31 Dec 08	31 Mar 09	31 Dec 08
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	61,789	56,857	-	8
Intangible assets	70,707	66,523	1,834	1,826
Investment property	2,212	2,244	-	-
Investments in subsidiaries	-	-	131,822	131,073
Investment in joint venture	-	-	2,375	2,375
Investments in associates	114,132	94,716	12,692	12,608
Other investments	908	908	899	899
Financial and lease receivables	225,524	194,204	-	-
Trade and other receivables	48,896	44,137	20,765	19,832
Deferred tax assets	2,777	2,799	-	-
Total non-current assets	526,945	462,388	170,387	168,621
<u>Current assets</u>				
Gross amounts due for contract work	63,832	93,987	-	-
Inventories	35,364	33,827	-	-
Financial and lease receivables	4,150	3,248	-	-
Trade and other receivables	198,028	151,531	420,285	362,077
Cash and fixed deposits	74,097	90,740	2,368	18,242
Assets classified as held for sale	11,866	10,834	-	-
Total current assets	387,337	384,167	422,653	380,319
<u>Current liabilities</u>				
Trade and other payables	249,369	268,234	140,405	118,882
Financial liabilities	69,524	50,344	69,014	49,524
Tax payable	6,703	5,925	-	-
Liabilities classified as held for sale	2	1	-	-
Total current liabilities	325,598	324,504	209,419	168,406
Net current assets	61,739	59,663	213,234	211,913
<u>Non-current liabilities</u>				
Financial liabilities	264,084	207,892	211,870	206,170
Deferred tax liabilities	6,260	6,260	159	159
Total non-current liabilities	270,344	214,152	212,029	206,329
Net assets	318,340	307,899	171,592	174,205
<u>Equity attributable to owners of the parent</u>				
Share capital	99,122	99,118	99,122	99,118
Retained earnings	187,629	182,493	58,392	62,116
Foreign currency translation reserve	21,233	9,257	-	-
Cash flow Hedges	(21,664)	(13,496)	-	-
Employee share option reserve	14,078	12,971	14,078	12,971
Capital reserve	7,204	7,204	-	-
	307,602	297,547	171,592	174,205
Minority interests	10,738	10,352	-	-
Total equity	318,340	307,899	171,592	174,205
<i>Group net borrowings (S\$)</i>	259,511	167,496	n.a.	n.a.
<i>Group net gearing (times)</i>	0.82x	0.54x	n.a.	n.a.

NOTES TO STATEMENTS OF FINANCIAL POSITION

1(b)(ii) Group's borrowings and debt securities

i) Amount repayable in one year or less, or on demand

31 Mar 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
510	69,014	820	49,524

(ii) Amount repayable after one year

31 Mar 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,303	262,781	1,505	206,387

Details of any collateral

A subsidiary's bank loan is secured by a lien over its inventories and receivables and guaranteed by certain cash balances of the subsidiary.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the first quarter ended 31 March 2009

	<u>The Group</u>	
	<u>First quarter ended 31Mar</u>	
	2009	2008
	S\$'000	S\$'000
Operating activities		
Profit before tax	6,834	5,563
Adjustments:		
Equity-settled share-based payment transactions	1,107	1,016
Fair value loss on derivative financial instruments	-	169
Net loss on disposal of property, plant and equipment	10	63
Share of loss/(profit) of associates, net of tax	852	(468)
Depreciation and amortisation	2,427	2,092
Finance costs	2,979	2,081
Finance income	(752)	(531)
Impairment of trade and other receivables	45	4
Provision for inventory obsolescence and inventory written down	6	1
	<u>13,508</u>	<u>9,990</u>
Operating cash flows before working capital changes		
Changes in working capital :		
Inventories	(1,587)	(1,139)
Gross amounts due for contract work	30,155	19,736
Trade and other receivables	(42,289)	(38,538)
Financial and lease receivables	(22,839)	(12,130)
Trade and other payables	(25,922)	54,378
Cash (used in) / generated from operations	(48,974)	32,297
Income taxes (paid) / refund	(974)	344
	<u>(49,948)</u>	<u>32,641</u>
Cash flows from operating activities		

**1(c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the first quarter ended 31 March 2009 (cont'd)**

	<u>The Group</u>	
	<u>First quarter ended 31 Mar</u>	
	<u>2009</u>	<u>2008</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Investing activities		
Purchase of property, plant and equipment	(4,519)	(23,486)
Acquisition of intangible assets	(5,683)	(1,997)
Proceeds from sale of property, plant and equipment	71	1
Acquisition of associates	(19,306)	(4,731)
Due from related parties (non-trade)	(4,375)	(23,839)
Interest received	752	531
	<u>(33,060)</u>	<u>(53,521)</u>
Cash flows from investing activities		
Financing activities		
Proceeds from issuance of new shares under Employee Share Option Scheme	4	1,261
Proceeds from borrowings	90,532	8,564
Repayment of borrowings	(23,910)	(8,805)
Repayment of finance lease liabilities	(29)	(11)
Interest paid	(2,652)	(2,493)
	<u>63,945</u>	<u>(1,484)</u>
Cash flows from financing activities		
Net decrease in cash and cash equivalents	(19,063)	(22,364)
Cash and cash equivalents at beginning of the period	91,480	121,047
Effect of exchange rate changes	2,418	(716)
	<u>74,835</u>	<u>97,967</u>
Cash and cash equivalents at end of the period [Note 1(c)(i)]	74,835	97,967

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1(c)(i) Cash and cash equivalents at end of the period :

	<u>The Group</u>	
	<u>First quarter ended 31 Mar</u>	
	<u>2009</u>	<u>2008</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Cash and fixed deposits as per balance sheet	74,097	97,967
Cash and fixed deposits of disposal group	738	-
Cash and fixed deposits as per statement of cash flows	<u>74,835</u>	<u>97,967</u>

1 (d)(i) STATEMENT OF CHANGES IN EQUITY OF THE GROUP

	Share capital	Retained earnings	Foreign currency translation reserve	Cash flow hedges	Employee share option reserve	Capital reserve	Total attributable to owners of the parent	Minority interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2009	99,118	182,493	9,257	(13,496)	12,971	7,204	297,547	10,352	307,899
Issue of shares for cash under Employee Share Option Scheme	4	-	-	-	-	-	4	-	4
Value of employee services received for issue of share option	-	-	-	-	1,107	-	1,107	-	1,107
Total comprehensive income for the period	-	5,136	11,976	(8,168)	-	-	8,944	386	9,330
At 31.03.2009	99,122	187,629	21,233	(21,664)	14,078	7,204	307,602	10,738	318,340
At 1.1.2008	95,820	139,506	(1,815)	(4,222)	9,419	1,064	239,772	7,295	247,067
Issue of shares for cash under Employee Share Option Scheme	1,261	-	-	-	-	-	1,261	-	1,261
Value of employee services received for issue of share option	-	-	-	-	1,016	-	1,016	-	1,016
Total comprehensive income for the period	-	5,742	(3,049)	(718)	-	-	1,975	780	2,755
At 31.03.2008	97,081	145,248	(4,864)	(4,940)	10,435	1,064	244,024	8,075	252,099

1 (d)(i) STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Share capital	Retained earnings	Employee share option reserve	Total attributable to owners of the Company
	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2009	99,118	62,116	12,971	174,205
Issue of shares for cash under Employee Share Option Scheme	4	-	-	4
Value of employee services received for issue of share option	-	-	1,107	1,107
Total comprehensive income / (loss) for the period	-	(3,724)	-	(3,724)
At 31.03.2009	99,122	58,392	14,078	171,592
At 1.1.2008	95,820	51,205	9,419	156,444
Issue of shares for cash under Employee Share Option Scheme	1,261	-	-	1,261
Value of employee services received for issue of share option	-	-	1,016	1,016
Total comprehensive income for the period	-	700	-	700
At 31.03.2008	97,081	51,905	10,435	159,421

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

- For the first quarter ended 31 Mar 2009, 47,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme") (31 Mar 2008: 736,000).
- For the first quarter ended 31 Mar 2009, 500,000 share options were granted under the Scheme (31 Mar 2008: Nil).
- As at 31 Mar 2009, the number of outstanding and unexercised options granted under the Scheme was 27,947,655 (31 Mar 2008: 20,540,343).
- As at 31 Mar 2009, the number of outstanding and unexercised warrants granted under the Warrant Subscription Agreements ("Agreements") was 41,216,863 (31 Mar 2008: Nil). No warrants were exercised under the Agreements during the first quarter ended 31 Mar 2009.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company did not hold any treasury shares as at 31 Mar 2009 and 31 Dec 2008.

The total number of issued shares excluding treasury shares as at 31 Mar 2009 was 525,318,360 (31 Dec 2008: 525,271,360).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 31 Mar 2009.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2410, Review of Interim Financial Information Performed by Independent Auditors of the Entity)

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group and the Company have consistently applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group and the Company adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2009. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS which are relevant to the Group and the Company:

FRS 1 (Revised)	Presentation of Financial Statements
Amendments to FRS 23	Borrowing Costs
Amendments to FRS102	Share-based Payment - Vesting Conditions and Cancellations
FRS 108	Operating Segments
Improvements to FRSs 2008	

The adoption of the above FRS did not result in any substantial change to the Group's and the Company's accounting policies or any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary share after deducting any provision for preference dividends were:

	First quarter ended 31 Mar	
	2009	2008
	Cents	Cents
Based on the weighted average of 525,297,693 (31 Mar 2008: 523,842,027) ordinary shares in issue; and	0.98	1.10
On a fully diluted basis of 525,318,360 (31 Mar 2008: 529,247,983) ordinary shares	<u>0.98</u>	<u>1.08</u>

7. Net asset value (for the Issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	31 Mar 09	31 Dec 08
	Cents	Cents
Net assets value per ordinary share of:		
<i>Based on 525,318,360 (31 Dec 2008: 525,271,360) ordinary shares in issue</i>		
Group	58.6	56.7
Company	<u>32.7</u>	<u>33.2</u>

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

8(a) Income Statement Analysis

Profit before tax increased by 23% from \$5.6 million for the first quarter ended 31 Mar 2008 to \$6.8 million for the first quarter ended 31 Mar 2009.

Net profit after tax and minority interests was recorded at \$5.1 million for the first quarter ended 31 Mar 2009 as compared to \$5.7 million for the previous corresponding quarter. The decrease is mainly due to a net tax credit of \$1.1 million for the first quarter ended 31 Mar 2008.

8(a)(i) Revenue

The Group's revenue for the first quarter ended 31 Mar 2009 decreased by 2% to \$88.2 million as compared to \$89.6 million for the first quarter ended 31 Mar 2008.

Sector Review

Revenue from the municipal sector increased by 7% from \$70.2 million to \$75.4 million and contributed 86% to the Group's revenue. Revenue from China and Algeria's municipal sector was \$21.7 million and \$50.4 million respectively for the first quarter ended 31 Mar 2009.

Revenue from industrial sector decreased by 35% from \$19.1 million for the first quarter ended 31 Mar 2008 to \$12.4 million for the first quarter ended 31 Mar 2009. This was mainly attributed to the economic slow down in China's industrial sector and timing of order delivery.

Geographical review

China accounted for 38% of total revenue, while Middle East and North Africa (MENA) contributed approximately 57% of total revenue for the first quarter ended 31 Mar 2009. The geographical proportion of revenue remains similar as compared to the previous corresponding quarter.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs decreased by 9% from \$66.0 million for the first quarter 31 Mar 2008 to \$59.9 million for the first quarter ended 31 Mar 2009 in line with the lower global commodity costs.

Staff costs increased from \$10.3 million for the first quarter ended 31 Mar 2008 to \$13.0 million for the first quarter ended 31 Mar 2009 in preparation for the execution of the world's largest seawater desalination plant and new staff for operation and maintenance for newly completed plants.

Finance costs increased from \$2.1 million for the first quarter ended 31 Mar 2008 to \$3.0 million for the first quarter ended 31 Mar 2009 due to higher bank borrowings.

Other expenses increased from \$2.0 million for the first quarter ended 31 Mar 2008 to \$4.7 million for the first quarter ended 31 Mar 2009 due to higher bank charges, professional, selling and travelling expenses.

The tax charge for the first quarter ended 31 Mar 2009 compared with a net tax credit recorded at the previous corresponding quarter, mainly due to the full utilisation of carried forward tax losses of certain subsidiaries in prior quarters.

8(a)(iii) Earnings

Basic and fully diluted earnings per share for the first quarter ended 31 Mar 2009 decreased by 10.9% and 9.3% respectively to 0.98 cents compared to the first quarter ended 31 Mar 2008.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$307.6 million as at 31 Mar 2009 from \$297.5 million as at 31 Dec 2008. The increase was mainly attributable to the net profit for the first quarter ended 31 Mar 2009 and exchange differences on translating foreign operations.

Current assets increased to \$387.3 million as at 31 Mar 2009 from \$384.2 million as at 31 Dec 2008, mainly due to increases in trade related receivables.

Non-current assets increased to \$526.9 million as at 31 Mar 2009 from \$462.4 million as at 31 Dec 2008. Financial and lease receivables increased by \$31.3 million in line with the progress of construction of water plants in China. In addition, investments in associates increased due to additional capital injection to associates.

Current liabilities increased marginally to \$325.6 million as at 31 Mar 2009 from \$324.5 million as at 31 Dec 2008, mainly due to the change in working capital requirements.

Non-current liabilities increased to \$270.3 million as at 31 Mar 2009 from \$214.2 million as at 31 Dec 2008, resulting mainly from the increase in bank borrowings during the financial period to support the Group's expansion and investments in water projects. Included in the financial liabilities as at 31 Mar 2009 was \$13.5 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012.

8b(ii) The Company

Shareholders' equity for the Company decreased to \$171.6 million as at 31 Mar 2009 from \$174.2 million as at 31 Dec 2008. The decrease was mainly due to the net loss for the first quarter ended 31 Mar 2009. This was offset by the increase in employee share option reserve of \$1.1 million during the financial period ended 31 Mar 2009.

8(c) Statement of Cash flows

The Group's cash position decreased to \$74.1 million as at 31 Mar 2009 from \$90.7 million as at 31 Dec 2008.

For the financial period ended 31 Mar 2009, net cash of \$49.9 million was used in its operations, mainly for the Group's working capital requirements. Cash used in investing activities for the financial period was largely due to capital expenditure to support the Group's expansion and investments in associates. Cash from financing activities was mainly due to the proceeds from borrowings for funding of the Group's investment.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The municipal sector in Algeria and China continues to be the largest contributor to the Group's revenue. In MENA region, the Group is currently executing the 200,000m³/day plant in Tlemcen, Algeria. In addition, on 19 March 2009, the Group achieved a significant milestone with the completion of financial close for the world's largest seawater desalination plant of 500,000m³/day in Magtaa, Oran, Western Algeria. The first draw down of the project financing occurred in April 2009. The plant, with an estimated Engineering, Procurement and Construction works of US\$443 million has commenced and is scheduled to be completed in 28 months.

The credit markets continue to be challenging for new Build Operate and Transfer projects. The Group will be selective in the bidding of such projects.

The Group also expects sluggish demand from the industrial sector in the near term. However, the demand is expected to pick up once the global economic conditions improve.

The Group will continue to develop its technological and operational capabilities and to source for opportunities in new markets.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

13. Confirmation by the Board

The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the quarter ended 31 Mar 2009 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
7 May 2009