



**HYFLUX LTD**  
**Registration number : 200002722Z**

**Unaudited Financial Statements For Third Quarter And Nine Months Ended  
 30 September 2010**

**1 (a)(i) An income statement (for the Group) together with a comparative statement for  
 the corresponding period for the immediately preceding financial year.**

**CONSOLIDATED INCOME STATEMENT  
 FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	<u>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>	137,454	126,525	9	379,193	349,192	9
Other income	1,146	1,725	(34)	5,348	4,855	10
Changes in inventories of finished goods and work-in-progress	2,442	515	374	660	3,466	(81)
Raw materials and consumables used and subcontractors' costs	(74,192)	(81,706)	(9)	(210,666)	(214,101)	(2)
Personnel expenses	(15,609)	(12,598)	24	(41,255)	(39,866)	3
Depreciation and amortisation	(4,876)	(2,974)	64	(11,636)	(7,862)	48
Other expenses	(21,683)	(11,441)	90	(51,435)	(36,107)	42
Finance costs	(4,558)	(1,683)	171	(12,577)	(6,613)	90
Share of profit of associates, net of income tax	557	944	(41)	1,257	1,694	(26)
<b>Profit before income tax</b>	<b>20,681</b>	<b>19,307</b>	<b>7</b>	<b>58,889</b>	<b>54,658</b>	<b>8</b>
Income tax expense	(1,133)	(1,186)	(4)	(5,511)	(4,960)	11
<b>Profit for the period</b>	<b>19,548</b>	<b>18,121</b>	<b>8</b>	<b>53,378</b>	<b>49,698</b>	<b>7</b>
<b>Profit attributable to:</b>						
Owners of the Company	18,997	18,130	5	52,664	49,135	7
Non-controlling interests	551	(9)	NM	714	563	27
	<b>19,548</b>	<b>18,121</b>	<b>8</b>	<b>53,378</b>	<b>49,698</b>	<b>7</b>

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the third quarter and nine months ended 30 September 2010**

	<u>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Profit for the period</b>	19,548	18,121	8	53,378	49,698	7
<b>Other comprehensive income for the period</b>						
Foreign currency translation differences for foreign operations	(14,481)	(11,322)	28	(16,604)	(2,696)	516
Share of net fair value gain/(loss) on derivative financial instruments of associates	103	(344)	NM	(56)	865	NM
Net change in fair value of cash flow hedges transferred to profit or loss	-	946	(100)	431	6,069	(93)
Effective portion of changes in fair value of cash flow hedges	-	2,540	(100)	2,301	(662)	NM
Share of statutory reserve of associates	31	-	NM	(71)	102	NM
<b>Other comprehensive income for the period, net of tax</b>	<u>(14,347)</u>	<u>(8,180)</u>	75	<u>(13,999)</u>	<u>3,678</u>	NM
<b>Total comprehensive income for the period</b>	<u>5,201</u>	<u>9,941</u>	(48)	<u>39,379</u>	<u>53,376</u>	(26)
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	5,619	10,264	(45)	39,699	53,048	(25)
Non-controlling interests	(418)	(323)	29	(320)	328	NM
	<u>5,201</u>	<u>9,941</u>	(48)	<u>39,379</u>	<u>53,376</u>	(26)

**NOTES TO CONSOLIDATED INCOME STATEMENT**

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

	<u>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Finance income	521	865	(40)	1,986	2,731	(27)
Net foreign exchange loss	(7,923)	(3,153)	151	(11,980)	(2,187)	448
Write back/(impairment) of trade and other receivables	193	11	NM	(1,095)	59	NM
Impairment of investment	-	-	-	(263)	-	NM
Write back/(allowance) for inventory obsolescence	23	(2)	NM	27	(8)	NM
Net loss on disposal of property, plant and equipment	(530)	(23)	NM	(540)	(28)	NM

NM: Not meaningful

**1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

**BALANCE SHEETS AS AT 30 SEPTEMBER 2010**

	<u>Group</u>		<u>Company</u>	
	30 Sep 10	31 Dec 09	30 Sep 10	31 Dec 09
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>NON-CURRENT ASSETS</u></b>				
Property, plant and equipment	154,837	134,926	-	-
Investment property	-	2,116	-	-
Intangible assets	78,505	89,615	1,787	1,810
Investment in subsidiaries	-	-	130,920	130,920
Investment in joint venture	-	-	3,125	3,125
Investment in associates	127,968	102,654	13,226	12,955
Other investments	-	99	-	-
Financial and lease receivables	143,713	155,947	-	-
Trade and other receivables	16,383	35,312	17,240	18,296
Deferred tax assets	2,516	2,761	-	-
	<u>523,922</u>	<u>523,430</u>	<u>166,298</u>	<u>167,106</u>
<b><u>CURRENT ASSETS</u></b>				
Gross amounts due for contract work	206,878	119,994	-	-
Inventories	28,884	32,497	-	-
Financial and lease receivables	7,201	7,818	-	-
Trade and other receivables	199,401	222,089	450,225	524,628
Cash and fixed deposits	307,636	166,735	146,773	62,860
Assets classified as held for sale	2,051	-	-	-
	<u>752,051</u>	<u>549,133</u>	<u>596,998</u>	<u>587,488</u>
<b><u>CURRENT LIABILITIES</u></b>				
Trade and other payables, including derivatives	198,163	265,772	28,207	244,742
Financial liabilities	156,840	45,305	156,840	44,137
Tax payable	5,146	6,794	-	-
	<u>360,149</u>	<u>317,871</u>	<u>185,047</u>	<u>288,879</u>
<b>Net current assets</b>	<b>391,902</b>	<b>231,262</b>	<b>411,951</b>	<b>298,609</b>
<b><u>NON-CURRENT LIABILITIES</u></b>				
Financial liabilities	411,287	355,018	350,859	297,233
Deferred tax liabilities	6,229	6,272	-	-
	<u>417,516</u>	<u>361,290</u>	<u>350,859</u>	<u>297,233</u>
<b>Net assets</b>	<b>498,308</b>	<b>393,402</b>	<b>227,390</b>	<b>168,482</b>
<b><u>EQUITY</u></b>				
Share capital	205,301	105,114	205,301	105,114
Reserve for own shares	(1,292)	(1,292)	(1,292)	(1,292)
Capital reserve	9,373	8,627	-	-
Foreign currency translation reserve	(11,027)	4,543	-	-
Hedging reserve	(4,040)	(6,716)	-	-
Employees' share option reserve	18,077	16,780	18,077	16,780
Retained earnings	255,814	238,188	5,304	47,880
<b>Total equity attributable to equity holders of the Company</b>	<b>472,206</b>	<b>365,244</b>	<b>227,390</b>	<b>168,482</b>
<b>Non-controlling interests</b>	<b>26,102</b>	<b>28,158</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>498,308</b>	<b>393,402</b>	<b>227,390</b>	<b>168,482</b>
<i>Group net borrowings (S\$)</i>	260,491	233,588	n.a.	n.a.
<i>Group net gearing (times)</i>	0.52x	0.59x	n.a.	n.a.

## NOTES TO BALANCE SHEETS

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

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

30 Sep 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	156,840	1,168	44,137

#### (ii) Amount repayable after one year

30 Sep 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	411,287	27	354,991

#### Details of any collateral

As at 31 Dec 2009, a subsidiary's bank loan was secured by a lien over its inventories and receivables and certain cash balances of the subsidiary.

**1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010**

	<u>Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit before income tax	20,681	19,307	58,889	54,658
Adjustments for:				
Employees' share option expense	508	883	1,297	3,098
Fair value loss on derivative financial instruments	120	-	-	-
Loss on sale of property, plant and equipment	530	23	540	28
Share of profit of associates	(557)	(944)	(1,257)	(1,694)
Depreciation and amortisation	4,876	2,974	11,636	7,862
Finance costs	4,558	1,683	12,577	6,613
Finance income	(521)	(865)	(1,986)	(2,731)
(Write back)/impairment of trade and other receivables	(193)	(11)	1,095	(59)
Impairment of investments	-	-	263	-
(Write back)/allowance for inventory obsolescence	(23)	2	(27)	8
	<u>29,979</u>	<u>23,052</u>	<u>83,027</u>	<u>67,783</u>
Change in inventories	(1,327)	(1,817)	3,654	3,494
Change in gross amounts due for contract work	85,060	(21,573)	(86,884)	24,379
Change in trade and other receivables	(15,106)	10,295	31,409	(30,827)
Change in financial and lease receivables	(13,067)	(7,324)	(16,312)	(37,959)
Change in service concession arrangements intangibles	12,656	-	8,783	-
Change in trade and other payables	<u>(86,608)</u>	<u>(29,415)</u>	<u>(49,558)</u>	<u>(25,112)</u>
<b>Cash from / (used in) operating activities</b>	<b>11,587</b>	<b>(26,782)</b>	<b>(25,881)</b>	<b>1,758</b>
Income tax paid	<u>(2,411)</u>	<u>(3,166)</u>	<u>(6,690)</u>	<u>(6,989)</u>
<b>Net cash from / (used in) operating activities</b>	<b>9,176</b>	<b>(29,948)</b>	<b>(32,571)</b>	<b>(5,231)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(5,419)	(1,321)	(20,404)	(6,506)
Acquisition of intangible assets	(2,797)	(6,918)	(5,142)	(16,462)
Acquisition of non-controlling interests	-	-	(2,836)	-
Proceeds from sale of property, plant and equipment	-	63	542	142
Acquisition of a subsidiary, net of cash acquired, [Note 1 (c) (i)]	-	(12,514)	-	(12,514)
Acquisition of associates	-	-	(23,692)	(19,483)
Dividend received from associates	2,822	840	8,873	840
Change in amounts due from related parties (non-trade)	(810)	(6,797)	2,525	(12,137)
Interest received	<u>429</u>	<u>636</u>	<u>1,715</u>	<u>2,502</u>
<b>Net cash used in investing activities</b>	<b>(5,775)</b>	<b>(26,011)</b>	<b>(38,419)</b>	<b>(63,618)</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)**

	<u>Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from financing activities</b>				
Proceeds from exercise of share options and warrants	274	710	99,914	1,680
Purchase of treasury shares	-	(1,292)	-	(1,292)
Proceeds from borrowings	203,751	175,610	288,217	391,281
Repayment of borrowings	(57,347)	(106,153)	(115,109)	(256,191)
Repayment of lease liabilities	-	(20)	(73)	(79)
Interest paid	(7,067)	(2,532)	(14,934)	(8,551)
Dividends paid	(5,705)	-	(34,221)	(18,020)
<b>Net cash from financing activities</b>	<b>133,906</b>	<b>66,323</b>	<b>223,794</b>	<b>108,828</b>
<b>Net increase in cash and cash equivalents</b>	<b>137,307</b>	<b>10,364</b>	<b>152,804</b>	<b>39,979</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>180,734</b>	<b>120,348</b>	<b>166,735</b>	<b>91,480</b>
Effect of exchange rate changes	(10,405)	(1,163)	(11,903)	(1,910)
<b>Cash and cash equivalents at end of the period</b>	<b>307,636</b>	<b>129,549</b>	<b>307,636</b>	<b>129,549</b>

**NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS**

**1(c)(i) The values of assets and liabilities of a subsidiary acquired were as follows:**

	<u>Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets	-	2,090	-	2,090
Non-current assets	-	18,219	-	18,219
Current liabilities	-	(4,844)	-	(4,844)
<b>Net identifiable assets and liabilities</b>	<b>-</b>	<b>15,465</b>	<b>-</b>	<b>15,465</b>
Non-controlling interests	-	(2,629)	-	(2,629)
Goodwill on acquisition	-	8,198	-	8,198
Amount previously accounted for as investments in associates	-	(8,228)	-	(8,228)
Cash consideration paid, satisfied in cash	-	12,806	-	12,806
Cash acquired	-	(292)	-	(292)
<b>Net cash outflow</b>	<b>-</b>	<b>12,514</b>	<b>-</b>	<b>12,514</b>

**1 (d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**STATEMENT OF CHANGES IN EQUITY OF THE GROUP**

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.1.2010</b>	105,114	(1,292)	8,627	4,543	(6,716)	16,780	238,188	365,244	28,158	393,402
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	52,664	52,664	714	53,378
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	(15,570)	-	-	-	(15,570)	(1,034)	(16,604)
Share of net fair value loss on derivative financial instruments of associates	-	-	-	-	(56)	-	-	(56)	-	(56)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,301	-	-	2,301	-	2,301
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	431	-	-	431	-	431
Share of statutory reserve of associates	-	-	(71)	-	-	-	-	(71)	-	(71)
Total comprehensive (loss)/income for the period	-	-	(71)	(15,570)	2,676	-	52,664	39,699	(320)	39,379
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(34,221)	(34,221)	-	(34,221)
Issue of shares for cash under Employees' Share Option Scheme & Warrant Subscription Agreements	100,187	-	-	-	-	1,297	-	101,484	-	101,484
Transfer to capital reserve	-	-	817	-	-	-	(817)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,736)	(1,736)
Total transactions with owners	100,187	-	817	-	-	1,297	(35,038)	67,263	(1,736)	65,527
<b>At 30.09.2010</b>	<b>205,301</b>	<b>(1,292)</b>	<b>9,373</b>	<b>(11,027)</b>	<b>(4,040)</b>	<b>18,077</b>	<b>255,814</b>	<b>472,206</b>	<b>26,102</b>	<b>498,308</b>

**STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)**

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 1.1.2009</b>	99,118	-	7,204	9,257	(13,496)	12,971	182,493	297,547	10,352	307,899
<b>Total comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	49,135	49,135	563	49,698
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	(2,461)	-	-	-	(2,461)	(235)	(2,696)
Share of net fair value gain on derivative financial instruments of associates	-	-	-	-	865	-	-	865	-	865
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	6,069	-	-	6,069	-	6,069
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(662)	-	-	(662)	-	(662)
Share of statutory reserve of associates	-	-	102	-	-	-	-	102	-	102
Total comprehensive income/(loss) for the period	-	-	102	(2,461)	6,272	-	49,135	53,048	328	53,376
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(18,020)	(18,020)	-	(18,020)
Issue of shares for cash under Employees' Share Option Scheme	1,680	-	-	-	-	-	-	1,680	-	1,680
Purchase of treasury shares	-	(1,292)	-	-	-	-	-	(1,292)	-	(1,292)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,629	2,629
Value of employee services received for issue of share option	-	-	-	-	-	3,098	-	3,098	-	3,098
Total transactions with owners	1,680	(1,292)	-	-	-	3,098	(18,020)	(14,534)	2,629	(11,905)
<b>At 30.09.2009</b>	<b>100,798</b>	<b>(1,292)</b>	<b>7,306</b>	<b>6,796</b>	<b>(7,224)</b>	<b>16,069</b>	<b>213,608</b>	<b>336,061</b>	<b>13,309</b>	<b>349,370</b>



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

	Share capital S\$'000	Reserve for own shares S\$'000	Employees' share option reserve S\$'000	Retained earnings S\$'000	Total equity attributable to equity holders of the Company S\$'000
<b>At 1.1.2010</b>	105,114	(1,292)	16,780	47,880	168,482
Loss for the period	-	-	-	(8,355)	(8,355)
Total comprehensive income for the period	-	-	-	(8,355)	(8,355)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(34,221)	(34,221)
Issue of shares for cash under Employees Share Option Scheme & Warrants Subscription Agreement	100,187	-	1,297	-	101,484
Total transactions with owners	100,187	-	1,297	(34,221)	67,263
<b>At 30.09.2010</b>	<b>205,301</b>	<b>(1,292)</b>	<b>18,077</b>	<b>5,304</b>	<b>227,390</b>
<b>At 1.1.2009</b>	99,118	-	12,971	62,116	174,205
Loss for the period	-	-	-	(2,156)	(2,156)
Total comprehensive income for the period	-	-	-	(2,156)	(2,156)
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(18,020)	(18,020)
Issue of shares for cash under Employees Share Option Scheme	1,680	-	-	-	1,680
Purchase of treasury shares	-	(1,292)	-	-	(1,292)
Value of employee services received for issue of share option	-	-	3,098	-	3,098
Total transactions with owners	1,680	(1,292)	3,098	(18,020)	(14,534)
<b>At 30.09.2009</b>	<b>100,798</b>	<b>(1,292)</b>	<b>16,069</b>	<b>41,940</b>	<b>157,515</b>

**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.**

**Changes in the Company's share capital**

The movements in the Company's issued and fully paid-up share capital during the nine months ended 30 Sep 2010 were as follows:

Issued share capital

	<b>No. of shares</b>	<b>Capital S\$'000</b>
At 1 Jan 2010	528,365,360	103,822
Issue of share under the Employees' Share Option Scheme ("Scheme") and Warrant Subscription Agreement and Supplemental Warrant Subscription Agreement ("Agreements")	42,294,050	100,187
At 30 Sep 2010	570,659,410	204,009

As at 30 Sep 2010, the number of ordinary shares in issue was 570,659,410 (30 Sep 2009: 526,230,360), excluding 500,000 (30 Sep 2009: 500,000) held by the Company as treasury shares.

Outstanding share options under the Scheme

	<b>No. of options</b>
At 1 Jan 2010	25,279,093
Options granted	2,630,000
Exercised/Forfeited	(3,865,187)
At 30 Sep 2010	24,043,906

Outstanding warrants under the Agreements

	<b>No. of warrants</b>
At 1 Jan 2010	40,216,863
Exercised/Forfeited	(40,216,863)
At 30 Sep 2010	-

**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 total number of shares held as treasury shares as at 30 Sep 2010 was 500,000 (31 Dec 2009: 500,000).

The total number of issued shares excluding treasury shares as at 30 Sep 2010 was 570,659,410 (31 Dec 2009: 528,365,360).

**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 30 Sep 2010.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

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 2010. 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 27 (revised 2009)	<i>Consolidated and Separate Financial Statements</i>
FRS 103 (revised 2009)	<i>Business Combinations</i>
Amendments to FRS 39	<i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
INT FRS 117	<i>Distributions of Non-cash Assets to Owners</i>
Improvements to FRSs 2009	

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**

	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2010	2009	Change %	2010	2009	Change %
Earnings per ordinary share of the Group based on net profit attributable to equity holders:-						
Based on the weighted average number of ordinary shares in issue	3.36 cts	3.45 cts	(2.6)	9.44 cts	9.35 cts	1.0
- Weighted average number of shares	564,602,952	526,240,027	7.3	557,673,636	525,744,804	6.1
On a fully diluted basis of ordinary shares	3.34 cts	3.35 cts	(0.3)	9.25 cts	9.28 cts	(0.3)
- Adjusted weighted average number of shares	569,534,251	541,628,180	5.2	569,055,398	529,345,777	7.5

**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.**

**Net assets value per ordinary share:**

	<u>Group</u>		<u>Company</u>	
	30 Sep 10 Cents	31 Dec 09 Cents	30 Sep 10 Cents	31 Dec 09 Cents
Based on 570,659,410 (31 Dec 2009: 528,365,360) ordinary shares in issue	82.7	69.1	39.8	31.9

**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**

**Third quarter review**

The Group achieved revenue of \$137.5 million and recorded profit attributable to shareholders of the Group of \$19.0 million for the third quarter ended 30 Sep 2010, an increase of 5% from \$18.1 million for the third quarter ended 30 Sep 2009.

### **8(a)(i) Revenue**

The Group's revenue for the third quarter ended 30 Sep 2010 increased by 9% to \$137.5 million as compared to \$126.5 million for the third quarter ended 30 Sep 2009.

#### *Sector Review*

Revenue from the municipal sector increased by 3% from \$113.3 million to \$117.0 million and contributed 85% to the Group's revenue for the third quarter ended 30 Sep 2010. Revenue contributions from China's and Middle East and North Africa's ("MENA") municipal sectors were \$22.0 million and \$84.5 million respectively for the third quarter ended 30 Sep 2010.

Revenue from industrial sector increased by 54% from \$12.7 million for the third quarter ended 30 Sep 2009 to \$19.6 million for the third quarter ended 30 Sep 2010.

#### *Geographical review*

China accounted for 29% of total revenue, while MENA contributed approximately 62% of total revenue for the third quarter ended 30 Sep 2010.

### **8(a)(ii) Costs and expenses**

Raw materials and consumables used and subcontractors' costs decreased by 9% from \$81.7 million for the third quarter ended 30 Sep 2009 to \$74.2 million for the third quarter ended 30 Sep 2010 due to cost management measures.

Staff costs increased 24% from \$12.6 million for the third quarter ended 30 Sep 2009 to \$15.6 million for the third quarter ended 30 Sep 2010 which was in line with the Group's expansion plan.

Finance costs increased from \$1.7 million for the third quarter ended 30 Sep 2009 to \$4.6 million for the third quarter ended 30 Sep 2010 which was in line with higher bank borrowings.

Depreciation and amortisation increased from \$3.0 million for the third quarter ended 30 Sep 2009 to \$4.9 million for the third quarter ended 30 Sep 2010 which was in line with increase in property, plant and equipment.

Other expenses increased from \$11.4 million for the third quarter ended 30 Sep 2009 to \$21.7 million for the third quarter ended 30 Sep 2010 mainly due to foreign exchange loss resulting from weakening of US dollar.

The tax charge for the third quarter ended 30 Sep 2010 was lower than the applicable corporate tax rate in Singapore. This was due mainly to the tax exemptions and incentives enjoyed by certain entities in the Group.

### **8(a)(iii) Earnings**

Basic and fully diluted earnings per share for the third quarter ended 30 Sep 2010 decreased by 2.6% and 0.3% respectively to 3.36 cents and 3.34 cents respectively compared to the third quarter ended 30 Sep 2009.

## **Nine months review**

The Group achieved a revenue of \$379.2 million and profit attributable to shareholders of the Group of \$52.7 million for the nine months ended 30 Sep 2010.

### **8(a)(iv) Revenue**

The Group's revenue for the nine months ended 30 Sep 2010 increased by 9% to \$379.2 million as compared to \$349.2 million for the nine months ended 30 Sep 2009.

#### *Sector Review*

Revenue from the municipal sector increased by 7% from \$305.0 million for the nine months ended 30 Sep 2009 to \$325.8 million for the nine months ended 30 Sep 2010 and contributed 86% to the Group's revenue for the nine months ended 30 Sep 2010. Revenue contributions from China's and MENA's municipal sectors for the nine months ended 30 Sep 2010 were \$39.7 million and \$267.6 million respectively .

Revenue from industrial sector increased by 19% from \$42.8 million for the nine months ended 30 Sep 2009 to \$51.1 million for the nine months ended 30 Sep 2010.

#### *Geographical review*

China accounted for 23% of the total revenue, while MENA contributed approximately 71% of the total revenue for the nine months ended 30 Sep 2010.

### **8(a)(v) Costs and expenses**

Raw materials and consumables used and subcontractors' costs decreased by 2% from \$214.1 million for the nine months ended 30 Sep 2009 to \$210.7 million for the nine months ended 30 Sep 2010. The decline was due to cost management measures.

Staff costs increased from \$39.9 million for the nine months ended 30 Sep 2009 to \$41.3 million for the nine months ended 30 Sep 2010 which was in line with the Group's expansion plan.

Finance costs increased from \$6.6 million for the nine months ended 30 Sep 2009 to \$12.6 million for the nine months ended 30 Sep 2010 in line with higher bank borrowings.

Depreciation and amortisation increased from \$7.9 million for the nine months ended 30 Sep 2009 to \$11.6 million for the nine months ended 30 Sep 2010 which was in line with the increase in property, plant and equipment.

Other expenses increased from \$36.1 million for the nine months ended 30 Sep 2009 to \$51.4 million for the nine months ended 30 Sep 2010 due to higher project related professional fees and foreign exchange loss resulting from weakening of US dollar.

The effective tax rate for the nine months ended 30 Sep 2010 was about 9.4% and remained at a level lower than the Singapore corporate tax rate. The lower taxes paid were mainly due to the tax exemptions and incentives enjoyed by certain entities in the Group.

### **8(a)(vi) Earnings**

Basic and fully diluted earnings per share for the nine months ended 30 Sep 2010 increased by 1.0% and decreased by 0.3% respectively to 9.44 cents and 9.25 cents respectively compared to the nine months ended 30 Sep 2009.

### **8(b) Statements of Balance Sheets Analysis**

#### **8(b)(i) The Group**

The Group's shareholders' equity increased to \$472.2 million as at 30 Sep 2010 from \$365.2 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the nine months ended 30 Sep 2010. Net profit in the nine months ended 30 Sep 2010 further boosted the Group's equity base.

Current assets increased to \$752.1 million as at 30 Sep 2010 from \$549.1 million as at 31 Dec 2009, which was mainly due to increases in amount due for contract work and cash and fixed deposits.

Non-current assets increased to \$523.9 million as at 30 Sep 2010 from \$523.4 million as at 31 Dec 2009, which was mainly due to increases in property, plant and equipment, and investment in associates by \$19.9 million and \$25.3 million respectively. The increase was offset by the lower trade and other receivables for trade amount due from associates as well as financial and lease receivables.

Current liabilities increased to \$360.1 million as at 30 Sep 2010 from \$317.9 million as at 31 Dec 2009, which was mainly due to the increase in bank borrowings and was offset by lower trade payables during the financial period.

Non-current liabilities increased to \$417.5 million as at 30 Sep 2010 from \$361.3 million as at 31 Dec 2009, resulting mainly from the increase in bank borrowings during the financial period to support the Group's expansion and investment activities. Included in the financial liabilities as at 30 Sep 2010 was \$222.7 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012 and 2015.

The Group's net gearing ratio stood at 0.52 times as at 30 Sep 2010.

#### **8(b)(ii) The Company**

Shareholders' equity for the Company increased to \$227.4 million as at 30 Sep 2010 from \$168.5 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the nine months ended 30 Sep 2010.

### **8(c) Statement of Cash flows**

#### **Third quarter and nine months ended 30 Sep 2010**

The Group's cash position increased to \$307.6 million as at 30 Sep 2010 from \$166.7 million as at 31 Dec 2009.

For the third quarter and nine months ended 30 Sep 2010, net cash of \$9.2 million and \$32.5 million were generated from and used in the Group's operating activities, mainly towards working capital requirements. Cash used in investing activities for the financial period was largely for capital expenditure of property, plant and equipment and intangible assets to support the Group's expansion and investments in associates. Cash generated from financing activities for the third quarter ended 30 Sep 2010 was mainly for borrowing proceeds to fund the Group's investment. Cash from financing activities for the financial period ended 30

Sep 2010 mainly arose from the issue of shares under the “Scheme” and “Agreements” for the nine months ended 30 Sep 2010 and from borrowing proceeds to fund 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 fundamentals and outlook of the global water industry remain robust as developed and developing countries alike continue to seek sustainable water solutions to address acute water shortages. With the Group’s key markets in China, India and the MENA region facing critical water scarcity issues, the development of water infrastructure projects is expected to accelerate. This spells opportunities for Hyflux in the areas of water recycling, membrane bioreactor and seawater reverse osmosis desalination.

However, risks remain that could impact the Group’s growth. Volatility in the currency markets, persistent high unemployment in the developed markets of US and EU, and threats of sovereign debt defaults are still present and could affect the rate of recovery of fragile global economies. In addition, continued fluctuations in the foreign exchange rates of the USD and the Chinese Yuan will have an impact on the Group’s financial performance as its revenues are dominated in the two currencies.

The Joint Venture, Galaxy NewSpring Pte Ltd, which is held equally by the Group’s wholly-owned subsidiary, Hyflux Asset Management Pte Ltd, and Mitsui & Co. Ltd, on 2 August 2010, presented a formal proposal (“Delisting Proposal”) to the Trustee-Manager of Hyflux Water Trust (“HWT”) to seek a voluntary delisting of HWT from the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Delisting proposal is proposed to be made pursuant to Rules 1307 and 1309 of the listing manual of the SGX-ST. Under the Delisting Proposal, Nomura Singapore Limited will make, for and on behalf of the Joint Venture, an exit offer to acquire all the Offer Units (“Exit Offer”).

Hyflux Water Projects Ltd (“HWP”) and the Joint Venture have also entered into a sale and purchase agreement on 2 August 2010, where HWP agreed to sell, and the Joint Venture agreed to purchase, the 94,500,000 Units held by HWP (“HWP SPA”) for a cash consideration of S\$0.78 per Unit. Completion of the HWP SPA is conditional upon the Exit Offer becoming or being declared unconditional in all respects, and will take place within 10 calendar days after the condition is fulfilled.

On 20 October 2010, 99.54% of the total number of units held by HWT unitholders and proxies present and voting at the EGM approved the delisting resolution. Further, as at 5pm on 29 October 2010, the Joint Venture received valid acceptances from at least 75 per cent of the total units, meeting the condition for the HWT’s delisting. The Joint Venture’s Exit Offer for Hyflux Water Trust (HWT) has become unconditional and HWT will be suspended from trading the next day after the closing date of the offer.

The Group proposes to issue one-for-two bonus share to reward shareholders for their continued support. Under the proposed bonus issue, each existing shareholder will receive one bonus share for every two existing ordinary shares that he/she owns. A total of 285,378,205 bonus shares are expected to be issued. The bonus issue is subject to the approval of the SGX-ST and the book closure date will be announced later.



## **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 Pursuant to Rule 705(5) of the Listing Manual**

The directors of the Company confirm that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the financial results for the quarter ended 30 September 2010 to be false or misleading in any material aspect.

## **BY ORDER OF THE BOARD**

Lim Poh Fong  
Company Secretary  
4 November 2010