



HYFLUX LTD  
 Registration number : 200002722Z

**Unaudited Financial Statements For The First Quarter Ended 31 March 2011**

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 FIRST QUARTER ENDED 31 MARCH 2011**

|   | <u>Group</u>                |                     | Change<br>% |
|---|-----------------------------|---------------------|-------------|
|   | <u>Quarter ended 31 Mar</u> |                     |             |
|   | 2011<br>S\$'000             | 2010<br>S\$'000     |             |
| <b>Revenue</b>  | 86,814                      | 101,340             | (14)        |
| Other income  | 1,216                       | 1,250               | (3)         |
| Changes in inventories of finished goods and work-in-progress | 441                         | (569)               | NM          |
| Raw materials and consumables used and subcontractors' cost   | (43,345)                    | (59,275)            | (27)        |
| Staff expenses  | (11,731)                    | (13,073)            | (10)        |
| Depreciation and amortisation                                 | (4,939)                     | (3,353)             | 47          |
| Other expenses  | (16,770)                    | (15,208)            | 10          |
| Finance costs   | (5,542)                     | (3,464)             | 60          |
| Share of profit/(loss) of associates, net of income tax       | 1,791                       | (685)               | NM          |
| <b>Profit before income tax</b>                               | <u>7,935</u>                | <u>6,963</u>        | 14          |
| Income tax expense  | (586)                       | (1,095)             | (46)        |
| <b>Profit for the period</b>                                  | <u><u>7,349</u></u>         | <u><u>5,868</u></u> | 25          |
| <b>Profit attributable to:</b>                                |                             |                     |             |
| Owners of the Company   | 7,380                       | 6,401               | 15          |
| Non-controlling interests                                     | (31)                        | (533)               | (94)        |
|   | <u><u>7,349</u></u>         | <u><u>5,868</u></u> | 25          |

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2011**

|  | <b>Group</b>                |                     | <b>Change</b> |
|--|-----------------------------|---------------------|---------------|
|  | <b>Quarter ended 31 Mar</b> |                     |               |
|  | <b>2011</b>                 | <b>2010</b>         | <b>%</b>      |
|  | <b>S\$'000</b>              | <b>S\$'000</b>      |               |
| <b>Profit for the period</b>   | 7,349                       | 5,868               | 25            |
| <b>Other comprehensive income for the period</b>                           |                             |                     |               |
| Foreign currency translation differences for foreign operations            | (4,707)                     | (1,557)             | NM            |
| Share of hedging reserve of associates                                     | 220                         | (83)                | NM            |
| Net change in fair value of cash flow hedges transferred to profit or loss | -                           | 431                 | NM            |
| Effective portion of changes in fair value of cash flow hedges             | -                           | 71                  | NM            |
| Share of statutory reserve of associates                                   | -                           | 216                 | NM            |
| <b>Other comprehensive loss for the period, net of tax</b>                 | <u>(4,487)</u>              | <u>(922)</u>        | <b>NM</b>     |
| <b>Total comprehensive income for the period</b>                           | <u><b>2,862</b></u>         | <u><b>4,946</b></u> | <b>(42)</b>   |
| <b>Total comprehensive income attributable to:</b>                         |                             |                     |               |
| Owners of the Company  | 3,084                       | 5,459               | (43)          |
| Non-controlling interests  | <u>(222)</u>                | <u>(513)</u>        | (57)          |
|  | <u><b>2,862</b></u>         | <u><b>4,946</b></u> | <b>(42)</b>   |

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: -**

|  | <b>Group</b>                |                | <b>Change</b> |
|--|-----------------------------|----------------|---------------|
|  | <b>Quarter ended 31 Mar</b> |                |               |
|  | <b>2011</b>                 | <b>2010</b>    | <b>%</b>      |
|  | <b>S\$'000</b>              | <b>S\$'000</b> |               |
| Fair value (loss)/gain on derivative financial instruments | (646)                       | 121            | NM            |
| Finance income   | 687                         | 662            | 4             |
| Net foreign exchange loss                                  | (1,048)                     | (697)          | 50            |
| Write back of trade and other receivables                  | 72                          | 156            | (54)          |
| Gain/(loss) on sale of property, plant and equipment       | <u>2</u>                    | <u>(394)</u>   | 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 31 MARCH 2011**

|   | <u>Group</u>         |                      | <u>Company</u>       |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31 Mar 11<br>S\$'000 | 31 Dec 10<br>S\$'000 | 31 Mar 11<br>S\$'000 | 31 Dec 10<br>S\$'000 |
| <b><u>NON-CURRENT ASSETS</u></b>                                  |                      |                      |                      |                      |
| Property, plant and equipment                                     | 154,373              | 155,826              | -                    | -                    |
| Intangible assets   | 61,983               | 62,075               | 1,771                | 1,779                |
| Intangible assets arising from service concession arrangements    | 129,671              | 129,494              | -                    | -                    |
| Investments in subsidiaries                                       | -                    | -                    | 119,820              | 119,820              |
| Investments in joint venture                                      | -                    | -                    | 3,125                | 3,125                |
| Investments in associates   | 76,833               | 75,032               | 13,413               | 13,320               |
| Financial receivables   | 234,492              | 226,149              | -                    | -                    |
| Trade and other receivables                                       | 15,374               | 15,816               | 16,442               | 16,924               |
| Deferred tax assets   | 1,136                | 1,616                | -                    | -                    |
|   | <u>673,862</u>       | <u>666,008</u>       | <u>154,571</u>       | <u>154,968</u>       |
| <b><u>CURRENT ASSETS</u></b>                                      |                      |                      |                      |                      |
| Asset classified as held for sale                                 | 3,171                | -                    | -                    | -                    |
| Gross amounts due for contract work                               | 266,363              | 254,469              | -                    | -                    |
| Inventories   | 26,928               | 26,261               | -                    | -                    |
| Financial receivables   | 5,067                | 5,851                | -                    | -                    |
| Trade and other receivables, including derivatives                | 195,381              | 182,398              | 661,192              | 608,382              |
| Other investments   | -                    | 2,429                | -                    | 2,429                |
| Cash and cash equivalents   | 165,396              | 222,286              | 5,350                | 65,656               |
|   | <u>662,306</u>       | <u>693,694</u>       | <u>666,542</u>       | <u>676,467</u>       |
| <b><u>CURRENT LIABILITIES</u></b>                                 |                      |                      |                      |                      |
| Trade and other payables  | 174,888              | 210,038              | 69,751               | 73,480               |
| Loans and borrowings  | 50,556               | 95,660               | 38,800               | 52,538               |
| Tax payable   | 10,296               | 10,251               | 2,892                | 2,893                |
|   | <u>235,740</u>       | <u>315,949</u>       | <u>111,443</u>       | <u>128,911</u>       |
| <b>Net current assets</b>   | <b>426,566</b>       | <b>377,745</b>       | <b>555,099</b>       | <b>547,556</b>       |
| <b><u>NON-CURRENT LIABILITIES</u></b>                             |                      |                      |                      |                      |
| Loans and borrowings  | 553,870              | 503,606              | 449,543              | 443,668              |
| Deferred tax liabilities  | 25,429               | 25,640               | -                    | -                    |
|   | <u>579,299</u>       | <u>529,246</u>       | <u>449,543</u>       | <u>443,668</u>       |
| <b>Net assets</b>   | <b>521,129</b>       | <b>514,507</b>       | <b>260,127</b>       | <b>258,856</b>       |
| <b><u>EQUITY</u></b>  |                      |                      |                      |                      |
| Share capital   | 210,881              | 207,474              | 210,881              | 207,474              |
| Reserve for own shares  | (1,292)              | (1,292)              | (1,292)              | (1,292)              |
| Capital reserve   | 4,752                | 4,752                | -                    | -                    |
| Foreign currency translation reserve                              | (19,153)             | (14,637)             | -                    | -                    |
| Hedging reserve   | (3,340)              | (3,560)              | -                    | -                    |
| Employees' share option reserve                                   | 18,962               | 18,609               | 18,962               | 18,609               |
| Retained earnings   | 298,535              | 291,155              | 31,576               | 34,065               |
| <b>Total equity attributable to equity holders of the Company</b> | <b>509,345</b>       | <b>502,501</b>       | <b>260,127</b>       | <b>258,856</b>       |
| <b>Non-controlling interests</b>                                  | <b>11,784</b>        | <b>12,006</b>        | <b>-</b>             | <b>-</b>             |
| <b>Total equity</b>   | <b>521,129</b>       | <b>514,507</b>       | <b>260,127</b>       | <b>258,856</b>       |
| <i>Group net borrowings (S\$)</i>                                 | 439,030              | 376,980              | n.a.                 | n.a.                 |
| <i>Group net gearing (times)</i>                                  | 0.84x                | 0.73x                | 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

| 31 Mar 11          |                      | 31 Dec 10          |                      |
|--------------------|----------------------|--------------------|----------------------|
| Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000 | Unsecured<br>S\$'000 |
| -                  | 50,556               | 43,122             | 52,538               |

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

| 31 Mar 11          |                      | 31 Dec 10          |                      |
|--------------------|----------------------|--------------------|----------------------|
| Secured<br>S\$'000 | Unsecured<br>S\$'000 | Secured<br>S\$'000 | Unsecured<br>S\$'000 |
| 45,450             | 508,420              | -                  | 503,606              |

#### Details of any collateral

Secured bank loans of the Group are secured by a joint venture's share mortgages of all its shares of China subsidiaries.

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 FIRST QUARTER ENDED 31 MARCH 2011**

|  | <u>Group</u>                |          |
|--|-----------------------------|----------|
|  | <u>Quarter ended 31 Mar</u> |          |
|  | 2011                        | 2010     |
|  | S\$'000                     | S\$'000  |
| <b>Cash flows from operating activities</b>                |                             |          |
| Profit before income tax                                   | 7,935                       | 6,963    |
| Adjustments for:   |                             |          |
| Employees' share option expense                            | 353                         | -        |
| Fair value loss/(gain) on derivative financial instruments | 646                         | (121)    |
| (Gain)/loss on sale of property, plant and equipment       | (2)                         | 394      |
| Share of (profit)/loss of associates                       | (1,791)                     | 685      |
| Depreciation and amortisation                              | 4,939                       | 3,353    |
| Finance costs  | 5,542                       | 3,464    |
| Finance income   | (687)                       | (662)    |
| Write back of trade and other receivables                  | (72)                        | (156)    |
|  | <u>16,863</u>               | 13,920   |
| Change in inventories                                      | (661)                       | 2,465    |
| Change in gross amounts due for contract work              | (11,894)                    | (69,695) |
| Change in trade and other receivables                      | (13,529)                    | 2,067    |
| Change in financial receivables                            | (7,534)                     | (1,495)  |
| Change in trade and other payables                         | (37,017)                    | 20,832   |
| Cash used in operating activities                          | <u>(53,772)</u>             | (31,906) |
| Income tax paid  | (551)                       | (1,750)  |
| <b>Net cash used in operating activities</b>               | <u>(54,323)</u>             | (33,656) |
| <b>Cash flows from investing activities</b>                |                             |          |
| Acquisition of property, plant and equipment               | (6,637)                     | (6,966)  |
| Acquisition of intangible assets                           | (1,491)                     | (2,929)  |
| Acquisition of non-controlling interests                   | -                           | (1,917)  |
| Proceeds from sale of property, plant and equipment        | -                           | 314      |
| Proceeds from sale of other investments                    | 2,429                       | -        |
| Dividends received from associates                         | 300                         | 5,691    |
| Change in amounts due from related parties (non-trade)     | 3,756                       | 3,580    |
| Interest received  | 594                         | 574      |
| <b>Net cash used in investing activities</b>               | <u>(1,049)</u>              | (1,653)  |

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2011 (cont'd)**

|   | <u>Group</u>                |                |
|---|-----------------------------|----------------|
|   | <u>Quarter ended 31 Mar</u> |                |
|   | 2011                        | 2010           |
|   | S\$'000                     | S\$'000        |
| <b>Cash flows from financing activities</b>                 |                             |                |
| Proceeds from exercise of share options and warrants        | 3,407                       | 22,142         |
| Proceeds from borrowings                                    | 106,694                     | 83,258         |
| Repayment of borrowings                                     | (100,642)                   | (35,758)       |
| Repayment of lease liabilities                              | -                           | (73)           |
| Interest paid   | (7,757)                     | (1,486)        |
| Decrease on deposits pledged                                | 3                           | -              |
|   | <u>1,705</u>                | <u>68,083</u>  |
| <b>Net cash from financing activities</b>                   |                             |                |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | (53,667)                    | 32,774         |
| <b>Cash and cash equivalents at beginning of the period</b> | 222,082                     | 166,735        |
| Effect of exchange rate changes                             | (3,220)                     | (681)          |
|   | <u>165,195</u>              | <u>198,828</u> |
| <b>Cash and cash equivalents at end of the period</b>       |                             |                |

**NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS**

1(c)(i) Cash and cash equivalents included in consolidated statement of cash flows comprise of the following:

|   | <u>Group</u>                |                |
|---|-----------------------------|----------------|
|   | <u>Quarter ended 31 Mar</u> |                |
|   | 2011                        | 2010           |
|   | S\$'000                     | S\$'000        |
| Cash and fixed deposits   | 171,037                     | 198,828        |
| Less: Bank overdraft  | (5,641)                     | -              |
| <b>Cash and cash equivalents as per balance sheet</b>           | <u>165,396</u>              | 198,828        |
| Less: Deposits pledged  | (201)                       | -              |
| <b>Cash and cash equivalents as per statement of cash flows</b> | <u>165,195</u>              | <u>198,828</u> |

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 1.1.2011</b>  | 207,474        | (1,292)                | 4,752           | (14,637)                             | (3,560)         | 18,609                          | 291,155           | 502,501  | 12,006                    | 514,507        |
| <b>Total comprehensive income for the period</b>                |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| Profit/(loss) for the period                                    | -              | -                      | -               | -                                    | -               | -                               | 7,380             | 7,380  | (31)                      | 7,349          |
| <b>Other comprehensive income</b>                               |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| Foreign currency translation differences for foreign operations | -              | -                      | -               | (4,516)                              | -               | -                               | -                 | (4,516)  | (191)                     | (4,707)        |
| Share of hedging reserve of associates                          | -              | -                      | -               | -                                    | 220             | -                               | -                 | 220  | -                         | 220            |
| Total comprehensive (loss)/income for the period                | -              | -                      | -               | (4,516)                              | 220             | -                               | 7,380             | 3,084  | (222)                     | 2,862          |
| <b>Transactions with owners, recorded directly in equity</b>    |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| <b>Contributions by and distributions to owners</b>             |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| Issue of shares for cash under Employees' Share Option Scheme   | 3,407          | -                      | -               | -                                    | -               | -                               | -                 | 3,407  | -                         | 3,407          |
| Value of employee services received for issue of share options  | -              | -                      | -               | -                                    | -               | 353                             | -                 | 353  | -                         | 353            |
| Total transactions with owners                                  | 3,407          | -                      | -               | -                                    | -               | 353                             | -                 | 3,760  | -                         | 3,760          |
| <b>At 31.03.2011</b>  | <b>210,881</b> | <b>(1,292)</b>         | <b>4,752</b>    | <b>(19,153)</b>                      | <b>(3,340)</b>  | <b>18,962</b>                   | <b>298,535</b>    | <b>509,345</b>   | <b>11,784</b>             | <b>521,129</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 1.1.2010</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 /(loss) for the period  | -              | -                      | -               | -                                    | -               | -                               | 6,401             | 6,401  | (533)                     | 5,868          |
| <b>Other comprehensive income</b>  |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| Foreign currency translation differences for foreign operations            | -              | -                      | -               | (1,577)                              | -               | -                               | -                 | (1,577)  | 20                        | (1,557)        |
| Share of hedging reserve of associates                                     | -              | -                      | -               | -                                    | (83)            | -                               | -                 | (83)   | -                         | (83)           |
| Effective portion of changes in fair value of cash flow hedges             | -              | -                      | -               | -                                    | 71              | -                               | -                 | 71   | -                         | 71             |
| Net change in fair value of cash flow hedges transferred to profit or loss | -              | -                      | -               | -                                    | 431             | -                               | -                 | 431  | -                         | 431            |
| Share of statutory reserve of associates                                   | -              | -                      | 216             | -                                    | -               | -                               | -                 | 216  | -                         | 216            |
| Total comprehensive income/(loss) for the period                           | -              | -                      | 216             | (1,577)                              | 419             | -                               | 6,401             | 5,459  | (513)                     | 4,946          |
| <b>Transactions with owners, recorded directly in equity</b>               |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| <b>Contributions by and distributions to owners</b>                        |                |                        |                 |                                      |                 |                                 |                   |  |                           |                |
| Issue of shares for cash under Employees' Share Option Scheme              | 1,801          | -                      | -               | -                                    | -               | -                               | -                 | 1,801  | -                         | 1,801          |
| Issue of shares for cash under warrant subscription agreements             | 20,341         | -                      | -               | -                                    | -               | -                               | -                 | 20,341   | -                         | 20,341         |
| Acquisition of non-controlling interests                                   | -              | -                      | -               | -                                    | -               | -                               | -                 | -  | (1,775)                   | (1,775)        |
| Transfer to capital reserve  | -              | -                      | 817             | -                                    | -               | -                               | (817)             | -  | -                         | -              |
| Total transactions with owners   | 22,142         | -                      | 817             | -                                    | -               | -                               | (817)             | 22,142   | (1,775)                   | 20,367         |
| <b>At 31.03.2010</b>   | <b>127,256</b> | <b>(1,292)</b>         | <b>9,660</b>    | <b>2,966</b>                         | <b>(6,297)</b>  | <b>16,780</b>                   | <b>243,772</b>    | <b>392,845</b>   | <b>25,870</b>             | <b>418,715</b> |



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

|  | Share capital  | Reserve for own shares | Employees' share option reserve | Retained earnings | Total equity attributable to equity holders of the Company |
|--|----------------|------------------------|---------------------------------|-------------------|--|
|  | S\$'000        | S\$'000                | S\$'000                         | S\$'000           | S\$'000  |
| <b>At 1.1.2011</b>   | 207,474        | (1,292)                | 18,609                          | 34,065            | 258,856  |
| Loss for the period  | -              | -                      | -                               | (2,489)           | (2,489)  |
| Total comprehensive income for the period                      | -              | -                      | -                               | (2,489)           | (2,489)  |
| <b>Transactions with owners, recorded directly in equity</b>   |                |                        |                                 |                   |  |
| <i>Contributions by and distributions to owners</i>            |                |                        |                                 |                   |  |
| Issue of shares for cash under Employees' Share Option Scheme  | 3,407          | -                      | -                               | -                 | 3,407  |
| Value of employee services received for issue of share options | -              | -                      | 353                             | -                 | 353  |
| Total transactions with owners                                 | 3,407          | -                      | 353                             | -                 | 3,760  |
| <b>At 31.03.2011</b>   | <b>210,881</b> | <b>(1,292)</b>         | <b>18,962</b>                   | <b>31,576</b>     | <b>260,127</b>   |
| <b>At 1.1.2010</b>   | 105,114        | (1,292)                | 16,780                          | 47,880            | 168,482  |
| Loss for the period  | -              | -                      | -                               | (5,080)           | (5,080)  |
| Total comprehensive income for the period                      | -              | -                      | -                               | (5,080)           | (5,080)  |
| <b>Transactions with owners, recorded directly in equity</b>   |                |                        |                                 |                   |  |
| <i>Contributions by and distributions to owners</i>            |                |                        |                                 |                   |  |
| Issue of shares for cash under Employees' Share Option Scheme  | 1,801          | -                      | -                               | -                 | 1,801  |
| Issue of shares for cash under warrant subscription agreements | 20,341         | -                      | -                               | -                 | 20,341   |
| Total transactions with owners                                 | 22,142         | -                      | -                               | -                 | 22,142   |
| <b>At 31.03.2010</b>   | <b>127,256</b> | <b>(1,292)</b>         | <b>16,780</b>                   | <b>42,800</b>     | <b>185,544</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 first quarter ended 31 Mar 2011 were as follows:

Issued share capital

|   | <b>No. of shares</b> | <b>Capital S\$'000</b> |
|---|----------------------|------------------------|
| At 1 Jan 2011   | 857,931,364          | 206,182                |
| Issue of shares under the Employees' Share Option Scheme ("Scheme") | 2,185,000            | 3,407                  |
| At 31 Mar 2011  | <u>860,116,364</u>   | <u>209,589</u>         |

As at 31 Mar 2011, the number of ordinary shares in issue was 860,116,364 (31 Dec 2010: 857,931,364), excluding 500,000 (31 Dec 2010: 500,000) held by the Company as treasury shares.

Outstanding share options under the Scheme

|                     | <b>No. of options</b> |
|---------------------|-----------------------|
| At 1 Jan 2011       | 35,640,369            |
| Options granted     | 5,430,000             |
| Exercised/Forfeited | <u>(3,873,000)</u>    |
| At 31 Mar 2011      | <u>37,197,369</u>     |

**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 31 Mar 2011 was 500,000 (31 Dec 2010: 500,000).

The total number of issued shares excluding treasury shares as at 31 Mar 2011 was 860,116,364 (31 Dec 2010: 857,931,364).

**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 2011.

**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 has reviewed the application of the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. None of these are expected to have a 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**

|   | <b>31 Mar 11</b>   | <b>31 Mar 10</b>   | <b>Change</b> |
|---|--------------------|--------------------|---------------|
|   |                    | <b>Restated</b>    | <b>%</b>      |
| 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                              | 0.86 cts           | 0.80 cts           | 7.5           |
| - Weighted average number of shares   | 859,799,031        | 798,016,634        | 7.7           |
| On a fully diluted basis of ordinary shares   | 0.85 cts           | 0.77 cts           | 10.4          |
| - Adjusted weighted average number of shares  | <u>866,435,027</u> | <u>832,497,196</u> | 4.1           |

For comparative purposes, the number of ordinary shares as at 31 Mar 2010 has been adjusted to include issue of one bonus share for every two existing ordinary shares.

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>     |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 31 Mar 11<br>Cents | 31 Dec 10<br>Cents | 31 Mar 11<br>Cents | 31 Dec 10<br>Cents |
| Based on 860,116,364 (31 Dec 2010:<br>857,931,364) ordinary shares in issue | 59.2               | 58.6               | 30.2               | 30.2               |

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**

The Group achieved revenue of \$86.8 million and profit attributable to shareholders of the Group of \$7.4 million for the first quarter ended 31 Mar 2011, increased by 15% from \$6.4 million for the first quarter ended 31 Mar 2010.

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

The Group's revenue for the first quarter ended 31 Mar 2011 decreased by 14% to \$86.8 million as compared to \$101.3 million for the first quarter ended 31 Mar 2010. The lower revenue was mainly due to some projects in MENA approaching the final stages of the engineering, procurement and construction works.

Sector Review

Revenue from the municipal sector contributed \$70.3 million and contributed 81% to the Group's revenue for the first quarter ended 31 Mar 2011. Revenue from China and Middle East and North Africa's ("MENA") municipal sector was \$22.1 million and \$32.7 million respectively for the first quarter ended 31 Mar 2011.

Revenue from industrial sector increased by 20% from \$11.9 million for the first quarter ended 31 Mar 2010 to \$14.3 million for the first quarter ended 31 Mar 2011.

Geographical review

China accounted for 40% of total revenue, while MENA contributed approximately 39% of total revenue for the first quarter ended 31 Mar 2011.

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

Raw materials and consumables used and subcontractors' costs decreased by 27% from \$59.3 million for the first quarter ended 31 Mar 2010 to \$43.3 million for first quarter ended 31 Mar 2011 which was in line with decrease in revenue.

Staff expenses decreased by 10% from \$13.1 million for the first quarter ended 31 Mar 2010 to \$11.7 million for the first quarter ended 31 Mar 2011.

Finance costs increased from \$3.5 million for the first quarter ended 31 Mar 2010 to \$5.5 million for the first quarter ended 31 Mar 2011 which was in line with higher bank borrowings.

Depreciation and amortisation increased from \$3.4 million for the first quarter ended 31 Mar 2010 to \$4.9 million for the first quarter ended 31 Mar 2011 due to changes in useful life of intangible assets and increase in property, plant and equipment and intangible assets.

Other expenses increased from \$15.2 million for the first quarter ended 31 Mar 2010 to \$16.8 million for the first quarter ended 31 Mar 2011 due to higher utilities with startup of newer plants.

The effective tax rate for the first quarter ended 31 Mar 2011 was about 7.4% and remained at a level lower than the Singapore corporate tax rate mainly due 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 first quarter ended 31 Mar 2011 increased by 7.5% and 10.4% respectively to 0.86 cents and 0.85 cents compared to the first quarter ended 31 Mar 2010. The increased earnings was primarily the result of cost management measures.

### **8(b) Statements of Financial Position Analysis**

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

The Group's shareholders' equity increased to \$509.3 million as at 31 Mar 2011 from \$502.5 million as at 31 Dec 2010. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Employees' Share Option Scheme" for the first quarter ended 31 Mar 2011. Net profit in the first quarter ended 31 Mar 2011 further boosted the Group's equity base.

Current assets decreased to \$662.3 million as at 31 Mar 2011 from \$693.7 million as at 31 Dec 2010, which was mainly due to decreases in cash and cash equivalents. The decrease was offset by the higher gross amounts due for contract work and trade and other receivables.

Non-current assets increased to \$673.9 million as at 31 Mar 2011 from \$666.0 million as at 31 Dec 2010, which was mainly due to increases in financial receivables by \$8.3 million.

Current liabilities decreased to \$235.7 million as at 31 Mar 2011 from \$315.9 million as at 31 Dec 2010, which was mainly due to the decrease in trade-related payables during the financial period and refinancing of short term loans.

Non-current liabilities increased to \$579.3 million as at 31 Mar 2011 from \$529.2 million as at 31 Dec 2010, resulting mainly from the increase in bank borrowings during the financial period as a result of refinancing of short term loan. Included in the loans and borrowings as at 31 Mar 2011 was \$277.6 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature between 2012 and 2016.

The Group's net gearing ratio stood at 0.84 times as at 31 Mar 2011. Going forward, with the recent launch of Class A Perpetual Preference Shares, the net gearing is expected to hover around 0.5 times.

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

Shareholders' equity for the Company increased to \$260.1 million as at 31 Mar 2011 from \$258.9 million as at 31 Dec 2010. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Employees' Share Option Scheme" for the first quarter ended 31 Mar 2011.

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

The Group's cash position decreased to \$165.4 million as at 31 Mar 2011 from \$222.3 million as at 31 Dec 2010.

For the financial period ended 31 Mar 2011, net cash of \$54.3 million was 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. Cash generated from financing activities for the financial period ended 31 Mar 2011 was mainly 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 municipal sector's fundamentals remain strong. Singapore and China markets are expected to be key contributors to the Group's revenue in the next 12 months. The Group's projects in Singapore, MENA and China are progressing on track, providing the Group with a core stream of revenue from both the Engineering Procurement & Construction ("EPC") and Operation & Maintenance ("O&M") strategic business units.

On 6 April 2011, the Group, through its wholly owned subsidiary, Tuaspring Pte Ltd, signed a 25-year Water Purchase Agreement (WPA) with PUB, Singapore's national water agency, to supply desalinated water from Singapore's second and largest seawater reverse osmosis (SWRO) desalination plant which will be located in Tuas. The SWRO plant, which will be developed by Hyflux under a Design, Build, Own and Operate (DBOO) model, is expected to commence operations in 2013.

Recently, the Group successfully launched a \$400 million Class A Perpetual Preference Shares issue, which has been listed on the main board of Singapore Exchange. Carrying a dividend rate of 6 per cent per annum, the Preference Shares are cumulative, non-convertible and non-voting and also non-dilutive to existing ordinary shareholders. The proceeds will be used to fund the Group's newest projects in Singapore and China.

The Chinese government recently outlined plans to intensify investments in water projects, promote water conservation and efficiency of use as well as to tackle water pollution in a central policy document on water. This will translate into opportunities for Hyflux where the Group already has an entrenched presence in the country.

While business conditions have stabilised, we believe that inherent risks remain. The Group continues to execute its order book diligently and focus on technology development. The Group will continue to monitor and manage its foreign exchange exposure and potential increases in commodity prices.

## 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

No dividend declared/recommended.

## 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 31 Mar 11 to be false or misleading in any material aspect.

## BY ORDER OF THE BOARD

Lim Poh Fong  
Company Secretary  
5 May 2011