



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For Third Quarter and Nine Months Ended 30 September 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 THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

	<u>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2011	2010	Change	2011	2010	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	87,719	137,454	(36)	285,614	379,193	(25)
Other income	2,091	1,146	82	6,126	5,348	15
Changes in inventories of finished goods and work-in-progress	(493)	2,442	NM	78	660	(88)
Raw materials and consumables used and subcontractors' cost	(49,166)	(74,192)	(34)	(148,416)	(210,666)	(30)
Staff costs	(17,491)	(15,609)	12	(43,429)	(41,255)	5
Depreciation and amortisation	(5,128)	(4,876)	5	(15,075)	(11,636)	30
Other expenses (net)	1,374	(21,683)	NM	(27,853)	(51,435)	(46)
Finance costs	(6,073)	(4,558)	33	(17,327)	(12,577)	38
Share of profits of associates, net of income tax	337	557	(39)	151	1,257	(88)
Profit before income tax	13,170	20,681	(36)	39,869	58,889	(32)
Income tax credit/(expense)	903	(1,133)	NM	(3,475)	(5,511)	(37)
Profit for the period	14,073	19,548	(28)	36,394	53,378	(32)
Profit attributable to:						
Owners of the Company	12,613	18,997	(34)	33,867	52,664	(36)
Non-controlling interests	1,460	551	NM	2,527	714	NM
	14,073	19,548	(28)	36,394	53,378	(32)

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

	<u>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2011	2010	Change	2011	2010	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	14,073	19,548	(28)	36,394	53,378	(32)
Other comprehensive income for the period						
Foreign currency translation differences for foreign operations	24,609	(14,481)	NM	13,359	(16,604)	NM
Share of hedging reserve of associates	(554)	103	NM	(199)	(56)	NM
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	NM	-	431	NM
Effective portion of changes in fair value of cash flow hedges	(1,563)	-	NM	(1,563)	2,301	NM
Share of statutory reserve of associates	-	31	NM	-	(71)	NM
Other comprehensive income/(loss) for the period, net of income tax	<u>22,492</u>	<u>(14,347)</u>	NM	<u>11,597</u>	<u>(13,999)</u>	NM
Total comprehensive income for the period	<u>36,565</u>	<u>5,201</u>	NM	<u>47,991</u>	<u>39,379</u>	22
Total comprehensive income attributable to:						
Owners of the Company	34,390	5,619	NM	45,038	39,699	13
Non-controlling interests	<u>2,175</u>	<u>(418)</u>	NM	<u>2,953</u>	<u>(320)</u>	NM
	<u>36,565</u>	<u>5,201</u>	NM	<u>47,991</u>	<u>39,379</u>	22

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>Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2011	2010	Change	2011	2010	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
(Allowance)/write back for inventory obsolescence	(1)	23	NM	(1)	27	NM
Fair value loss on derivative financial instruments	(3,309)	(120)	NM	(3,653)	-	NM
Finance income	674	521	29	2,059	1,986	4
Gain/(loss) on sale of property, plant and equipment	13,155	(530)	NM	13,161	(540)	NM
Impairment of investments	-	-	-	-	(263)	NM
(Impairment)/write back of trade and other receivables	(328)	193	NM	26	(1,095)	NM
Intangible assets written off	(32)	-	NM	(32)	-	NM
Net foreign exchange gain/(loss)	5,134	(7,923)	NM	2,154	(11,980)	NM
Property, plant and equipment written off	<u>(847)</u>	<u>-</u>	NM	<u>(847)</u>	<u>-</u>	NM

NM: Not meaningful

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

	<u>Group</u>		<u>Company</u>	
	30 Sep 11 S\$'000	31 Dec 10 S\$'000	30 Sep 11 S\$'000	31 Dec 10 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	168,653	155,826	-	-
Intangible assets	55,073	62,075	1,755	1,779
Intangible assets arising from service concession arrangements	154,532	129,494	-	-
Investments in subsidiaries	-	-	145,020	119,820
Investments in joint venture	-	-	3,125	3,125
Investments in associates	107,632	75,032	13,605	13,320
Financial receivables	286,124	226,149	-	-
Trade and other receivables	15,716	15,816	185,397	16,924
Deferred tax assets	1,173	1,616	-	-
	<u>788,903</u>	<u>666,008</u>	<u>348,902</u>	<u>154,968</u>
<u>CURRENT ASSETS</u>				
Asset classified as held for sale	3,171	-	-	-
Gross amounts due for contract work	190,528	254,469	-	-
Inventories	26,066	26,261	-	-
Financial receivables	6,669	5,851	-	-
Trade and other receivables, including derivatives	229,506	182,398	843,705	608,382
Other investments	-	2,429	-	2,429
Cash and cash equivalents	767,792	222,286	385,975	65,656
	<u>1,223,732</u>	<u>693,694</u>	<u>1,229,680</u>	<u>676,467</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	163,299	210,038	221,297	73,480
Loans and borrowings	110,132	95,660	153,099	52,538
Tax payable	4,974	10,251	2,888	2,893
	<u>278,405</u>	<u>315,949</u>	<u>377,284</u>	<u>128,911</u>
Net current assets	945,327	377,745	852,396	547,556
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	784,323	503,606	573,475	443,668
Deferred tax liabilities	25,400	25,640	-	-
	<u>809,723</u>	<u>529,246</u>	<u>573,475</u>	<u>443,668</u>
Net assets	924,507	514,507	627,823	258,856
<u>EQUITY</u>				
Share capital	604,429	207,474	604,429	207,474
Reserve for own shares	(1,292)	(1,292)	(1,292)	(1,292)
Capital reserve	5,283	4,752	531	-
Foreign currency translation reserve	(1,704)	(14,637)	-	-
Hedging reserve	(5,322)	(3,560)	-	-
Employees' share option reserve	19,538	18,609	19,538	18,609
Retained earnings	288,616	291,155	4,617	34,065
Total equity attributable to equity holders of the Company	909,548	502,501	627,823	258,856
Non-controlling interests	14,959	12,006	-	-
Total equity	924,507	514,507	627,823	258,856
<i>Group net borrowings (S\$)</i>	126,663	376,980	n.a.	n.a.
<i>Group net gearing (times)</i>	0.14x	0.75x	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

30 Sep 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
4,787	105,345	43,122	52,538

(ii) Amount repayable after one year

30 Sep 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
74,311	710,012	-	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 and a charge over a subsidiary's leasehold property and bank account.

1(c) A Statement of Cash Flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011**

	<u>Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2011	2010	2011	2010
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	13,170	20,681	39,869	58,889
Adjustments for:				
Allowance/(write back) for inventory obsolescence	1	(23)	1	(27)
Depreciation and amortisation	5,128	4,876	15,075	11,636
Employees' share option expense	433	508	929	1,297
Finance costs	6,073	4,558	17,327	12,577
Fair value loss on derivative financial instruments	3,309	120	3,653	-
Finance income	(674)	(521)	(2,059)	(1,986)
(Gain)/loss on sale of property, plant and equipment	(13,155)	530	(13,161)	540
Impairment of investments	-	-	-	263
Impairment/(write back) of trade and other receivables	328	(193)	(26)	1,095
Intangible assets written off	32	-	32	-
Property, plant and equipment written off	847	-	847	-
Share of profits of associates	(337)	(557)	(151)	(1,257)
	<u>15,155</u>	<u>29,979</u>	<u>62,336</u>	<u>83,027</u>
Change in inventories	1,930	(1,327)	200	3,654
Change in gross amounts due for contract work	(12,929)	85,060	63,941	(86,884)
Change in trade and other receivables	(14,459)	(15,106)	(52,814)	31,409
Change in trade and other payables	1,438	(86,881)	(46,403)	(49,831)
Cash (used in)/from operating activities before service concession arrangement projects	<u>(8,865)</u>	<u>11,725</u>	<u>27,260</u>	<u>(18,625)</u>
Change in financial receivables	(23,109)	(13,067)	(52,662)	(16,312)
Change in service concession arrangement intangibles	(22,913)	12,656	(23,187)	8,783
Cash (used in)/from operating activities after service concession arrangement projects	(54,887)	11,314	(48,589)	(26,154)
Income tax paid	(3,963)	(2,411)	(8,556)	(6,690)
Net cash (used in)/from operating activities	<u>(58,850)</u>	<u>8,903</u>	<u>(57,145)</u>	<u>(32,844)</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment	(6,926)	(5,419)	(23,394)	(20,404)
Acquisition of intangible assets	(829)	(2,797)	(2,937)	(5,142)
Additional investments in associates	-	-	(33,079)	(23,692)
Acquisition of non-controlling interests	-	-	-	(2,836)
Proceeds from sale of property, plant and equipment	20,037	-	20,055	542
Proceeds from sale of other investments	-	-	2,429	-
Dividends received from associates	360	2,822	1,020	8,873
Change in amounts due from related parties (non-trade)	188	(810)	(27)	2,525
Interests received	576	429	1,773	1,715
Net cash from/(used in) investing activities	<u>13,406</u>	<u>(5,775)</u>	<u>(34,160)</u>	<u>(38,419)</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2011 (cont'd)**

	<u>Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2011	2010	2011	2010
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Proceeds from exercise of share options and warrants	480	547	4,386	100,187
Net proceeds from perpetual preference shares	-	-	392,569	-
Proceeds from borrowings	491,206	203,751	600,779	288,217
Repayment of borrowings	(125,098)	(57,347)	(324,950)	(115,109)
Repayment of lease liabilities	-	-	-	(73)
Interests paid	(8,812)	(7,067)	(18,834)	(14,934)
Dividends paid	(5,767)	(5,705)	(35,875)	(34,221)
Decrease in deposits pledged	-	-	204	-
Net cash from financing activities	352,009	134,179	618,279	224,067
Net increase in cash and cash equivalents	306,565	137,307	526,974	152,804
Cash and cash equivalents at beginning of the period	436,487	180,734	222,082	166,735
Effect of exchange rate changes	7,808	(10,405)	1,804	(11,903)
Cash and cash equivalents at end of the period	750,860	307,636	750,860	307,636

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>Nine months ended 30 Sep</u>	
	2011	2010
	S\$'000	S\$'000
Cash and cash equivalents as per statement of financial position	767,792	307,636
Less: Bank overdraft	(16,932)	-
Cash and cash equivalents as per statement of cash flows	750,860	307,636

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
At 1.1.2011	207,474	(1,292)	4,752	(14,637)	(3,560)	18,609	291,155	502,501	12,006	514,507
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	33,867	33,867	2,527	36,394
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	12,933	-	-	-	12,933	426	13,359
Share of hedging reserve of associates	-	-	-	-	(199)	-	-	(199)	-	(199)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(1,563)	-	-	(1,563)	-	(1,563)
Total comprehensive income/(loss) for the period	-	-	-	12,933	(1,762)	-	33,867	45,038	2,953	47,991
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(35,875)	(35,875)	-	(35,875)
Issue of shares for cash under Employees' Share Option Scheme	4,386	-	-	-	-	-	-	4,386	-	4,386
Issue of Class A Cumulative Perpetual Preference Shares	392,569	-	-	-	-	-	-	392,569	-	392,569
Value of employee services received for issue of share options	-	-	-	-	-	929	-	929	-	929
Transfer of perpetual preference shares issue expenses to capital reserve	-	-	531	-	-	-	(531)	-	-	-
Total transactions with owners	396,955	-	531	-	-	929	(36,406)	362,009	-	362,009
At 30.09.2011	604,429	(1,292)	5,283	(1,704)	(5,322)	19,538	288,616	909,548	14,959	924,507

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
At 1.1.2010	105,114	(1,292)	8,627	4,543	(6,716)	16,780	238,188	365,244	28,158	393,402
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	52,664	52,664	714	53,378
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(15,570)	-	-	-	(15,570)	(1,034)	(16,604)
Share of hedging reserve of associates	-	-	-	-	(56)	-	-	(56)	-	(56)
Net change in fair value of cash flows hedges transferred to profit or loss	-	-	-	-	431	-	-	431	-	431
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,301	-	-	2,301	-	2,301
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
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(34,221)	(34,221)	-	(34,221)
Issue of shares for cash under Employees' Share Option Scheme	4,008	-	-	-	-	-	-	4,008	-	4,008
Issue of shares for cash under warrant subscription agreements	96,179	-	-	-	-	-	-	96,179	-	96,179
Value of employee services received for issue of share options	-	-	-	-	-	1,297	-	1,297	-	1,297
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,736)	(1,736)
Transfer to capital reserve	-	-	817	-	-	-	(817)	-	-	-
Total transactions with owners	100,187	-	817	-	-	1,297	(35,038)	67,263	(1,736)	65,527
At 30.09.2010	205,301	(1,292)	9,373	(11,027)	(4,040)	18,077	255,814	472,206	26,102	498,308

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

	Share capital	Reserve for own shares	Capital reserve	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	S\$'000
At 1.1.2011	207,474	(1,292)	-	18,609	34,065	258,856
Profit for the period	-	-	-	-	6,958	6,958
Total comprehensive income for the period	-	-	-	-	6,958	6,958
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	-	-	(35,875)	(35,875)
Issue of shares for cash under Employees' Share Option Scheme	4,386	-	-	-	-	4,386
Issue of Class A Cumulative Perpetual Preference Shares	392,569	-	-	-	-	392,569
Value of employee services received for issue of share options	-	-	-	929	-	929
Transfer of perpetual preference shares issue expenses to capital reserve	-	-	531	-	(531)	-
Total transactions with owners	396,955	-	531	929	(36,406)	362,009
At 30.09.2011	604,429	(1,292)	531	19,538	4,617	627,823
At 1.1.2010	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)
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	-	-	(34,221)	(34,221)
Issue of shares for cash under Employees' Share Option Scheme	4,008	-	-	-	-	4,008
Issue of shares for cash under warrant subscription agreements	96,179	-	-	-	-	96,179
Value of employee services received for issue of share options	-	-	-	1,297	-	1,297
Total transactions with owners	100,187	-	-	1,297	(34,221)	67,263
At 30.09.2010	205,301	(1,292)	-	18,077	5,304	227,390

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 2011 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 Jan 2011	857,931,364	206,182
Issue of shares under the Employees' Share Option Scheme ("Scheme")	3,095,000	4,386
At 30 Sep 2011	<u>861,026,364</u>	<u>210,568</u>
Preference shares		
At 1 Jan 2011	-	-
Issue of Class A Cumulative Perpetual Preference Shares	4,000,000	392,569
At 30 Sep 2011	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 30 Sep 2011		<u><u>603,137</u></u>

As at 30 Sep 2011, the number of ordinary shares in issue was 861,026,364 (30 Sep 2010: 570,659,410), excluding 500,000 (30 Sep 2010: 500,000) held by the Company as treasury shares.

In Apr 2011, the Company issued 4,000,000 6% Cumulative Non-convertible Non-voting Perpetual Class A Perpetual Preference Shares ("Class A Cumulative Perpetual Preference Shares") listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Outstanding share options under the Scheme

	No. of options
At 1 Jan 2011	35,640,369
Options granted	5,430,000
Exercised/Forfeited	<u>(6,264,250)</u>
At 30 Sep 2011	<u>34,806,119</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 ordinary shares held as treasury shares as at 30 Sep 2011 was 500,000 (31 Dec 2010: 500,000).

The total number of issued ordinary shares excluding treasury shares as at 30 Sep 2011 was 861,026,364 (31 Dec 2010: 857,931,364).

The total number of issued Class A Cumulative Perpetual Preference Shares as at 30 Sep 2011 was 4,000,000 (31 Dec 2010: nil).

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 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 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

	Quarter ended 30 Sep			Nine months ended 30 Sep		
	2011	2010 Restated	Change %	2011	2010 Restated	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	0.77 cts	2.24 cts	(65.6)	2.77 cts	6.30 cts	(56.0)
- Weighted average number of shares	860,454,697	846,904,428	1.6	860,339,475	836,510,455	2.8
On a fully diluted basis of ordinary shares	0.76 cts	2.22 cts	(65.8)	2.75 cts	6.17 cts	(55.4)
- Adjusted weighted average number of shares	<u>865,395,600</u>	<u>854,301,377</u>	1.3	<u>867,715,824</u>	<u>853,583,098</u>	1.7

For comparative purposes, the number of ordinary shares as at 30 Sep 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>	
	30 Sep 11 Cents	31 Dec 10 Cents	30 Sep 11 Cents	31 Dec 10 Cents
Based on 861,026,364 (31 Dec 2010: 857,931,364) ordinary shares in issue	59.2	58.6	26.5	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

Third quarter review

The Group recorded a revenue of \$87.7 million and profit attributable to shareholders of the Group of \$12.6 million for the third quarter ended 30 Sep 2011 ("3Q2011"). The decline in net profit attributable to shareholders of the Company from the third quarter ended 30 Sep 2010 ("3Q2010") of \$19.0 million was caused mainly by higher staff costs and financing as the Group gears up for its development of Tuaspring desalination plant and lower revenue as projects in the MENA region are near completion.

8(a)(i) Revenue

The Group's revenue for the 3Q2011 decreased by 36% to \$87.7 million as compared to \$137.5 million for 3Q2010 as a result of the anticipated decrease in contributions from projects in the MENA region near completion. This was partially offset by contributions from Singapore project as the Group commenced its Tuaspring desalination plant construction in July 2011.

Sector Review

Revenue from the municipal sector continued to be the main contributor to the Group despite a decrease of 38% from \$117.0 million to \$72.5 million as it contributed 83% to the Group's revenue.

Revenue from the industrial sector decreased by 27% from \$19.6 million for the 3Q2010 to \$14.4 million for 3Q2011.

The Group's municipal projects are from MENA, China and Singapore.

Geographical review

The Group's geographical mix for 3Q2011 showed a shift in contributions from MENA to Asia. China accounted for 25% of the total revenue, while MENA contributed approximately 30% of the total revenue. As for Singapore and Others, the Group saw an increase from 9% revenue contribution in 3Q2010 to 45% in 3Q2011, driven by progress of the Group's projects in Singapore.

With the completion of the seawater reverse osmosis ("SWRO") desalination plant in Tlemcen, Algeria and the near completion of the other SWRO projects in Algeria and Oman, the contribution to total revenue from the MENA market decreased from 62% in 3Q2010 to 30% in 3Q2011.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' cost decreased by 34% from \$74.2 million in 3Q 2010 to \$49.2 million in 3Q2011 which was in line with the decrease in revenue.

Staff costs increased from \$15.6 million in 3Q2010 to \$17.5 million in 3Q2011 as the Group incurred more staff costs for its Singapore Tuas project.

Finance costs increased from \$4.6 million in 3Q2010 to \$6.1 million in 3Q2011 due to higher bank borrowings as the Group gears up for the development of its Tuaspring desalination plant.

Other expenses decreased from \$21.7 million in expense in 3Q2010 to a gain of \$1.4 million in 3Q2011 which can be attributed to gains arising from foreign exchange differences as well as sales of machinery and equipment.

Income tax expense decreased from \$1.1 million in 3Q2011 to income tax credit of \$0.9 million in 3Q2011. This was due mainly to adjustment for prior years tax by certain entities in the Group.

8(a)(iii) Earnings

Basic and fully diluted earnings per share (adjusted for dividends on Class A Cumulative Perpetual Preference Shares) for 3Q2011 decreased by 66% to 0.77 cents and 0.76 cents respectively as compared to 3Q2010.

Nine months review

The Group recorded revenue of \$285.6 million and profit attributable to shareholders of the Company of \$33.9 million for the nine months ended 30 September 2011 ("9M2011"). The 36% decline in net profit attributable to shareholders of the Company from the nine months ended 30 Sep 2010 ("9M2010") of \$52.7 million was caused mainly by lower revenue and higher financing, depreciation and amortisation costs in 9M2011.

8(a)(iv) Revenue

The Group's revenue for 9M2011 decreased by 25% to \$285.6 million as compared to \$379.2 million for 9M2010, the result of the anticipated decrease in contributions from projects in the MENA region near completion. This was partially offset by contributions from Singapore project as the Group commenced its Tuaspring desalination plant construction in July 2011.

Sector Review

Revenue from the municipal sector decreased from \$325.8 million for 9M2010 to \$239.8 million for 9M2011. The municipal sector contributed 84% to the Group's revenue in 9M2011, a 2% point drop from 86% in 9M2010.

Revenue from the industrial sector decreased by 18% from \$51.1 million for 9M2010 to \$41.7 million for 9M2011.

The Group's municipal projects are from MENA, China and Singapore.

Geographical review

The Group saw a shift in the geographical mix of its revenue in 9M2011 from MENA to Asia. China accounted for 33% of the total revenue, while MENA contributed approximately 39% of the total revenue for 9M2011. The Group saw a significant increase of \$6.4 million in China revenue contribution from \$86.3 million in 9M2010 to \$92.7 million in 9M2011. This was mainly due to increased activities in the municipal sector with certain existing plants undergoing capacity expansion as well as contributions from the three water projects for Hechuan Industrial Park in Chongqing City that were awarded to the Group early this year. Consequently, China represented 33% of total revenue in 9M2011 as compared to 23% in 9M2010.

On the other hand, contributions from the MENA market decreased from \$269.9 million in 9M2010 to \$112.8 million in 9M2011, representing a decline from 71% in 9M2010 to 39% in 9M2011 of the Group's total revenue. This was the result of lower EPC activities, with the completion of the SWRO desalination plant in Tlemcen, Algeria and with the other SWRO projects in Algeria and Oman nearing completion.

As for our Singapore and Others markets, the Group saw an increase from \$23.0 million in 9M2010 to \$80.1 million in 9M2011 contributed by the progress of the Group's projects in Singapore. Singapore and Others contributed 28% of the Group's total revenue in 9M2011 from 6% in 9M2010.

8(a)(v) Costs and expenses

Raw materials and consumables used and subcontractors' cost decreased by 30% from \$210.7 million in 9M2010 to \$148.4 million in 9M2011 which was in line with the decrease in revenue.

Staff costs increased marginally from \$41.3 million in 9M2010 to \$43.4 million for 9M2011.

Finance costs increased from \$12.6 million in 9M2010 to \$17.3 million in 9M2011 due to higher bank borrowings as the Group gears up for the development of its Tuaspring Desalination Plant.

Depreciation and amortisation increased from \$11.6 million in 9M2010 to \$15.1 million in 9M2011 due to change in useful life of intangible assets from 10-15 years to 8 years in addition to increase in property, plant and equipment and intangible assets.

Other expenses decreased by 46% from \$51.4 million in 9M2010 to \$27.9 million in 9M2011 due to gains arising from foreign exchange differences as well as sales of machinery and equipment.

The effective tax rate for 9M2011 was about 8.7%. This was due mainly to the tax exemptions and incentives enjoyed by certain entities in the Group including adjustment for prior years tax from certain entities in the Group.

8(a)(vi) Earnings

Basic and fully diluted earnings per share (adjusted for dividends on Class A Cumulative Perpetual Preference Shares) for 9M2011 decreased by 56% to 2.77 cents and 2.75 cents respectively as compared to 9M2010.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$909.5 million as at 30 Sep 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 Class A Cumulative Perpetual Preference Shares in April 2011. Net profit in 9M2011 further boosted the Group's equity base.

Current assets increased to \$1,223.7 million as at 30 Sep 2011 from \$693.7 million as at 31 Dec 2010, which was mainly due to net proceeds from issuance of Class A Cumulative Perpetual Preference Shares of \$393 million and trade and other receivables. The increase was offset by the lower gross amounts due for contract work.

Non-current assets increased to \$788.9 million as at 30 Sep 2011 from \$666.0 million as at 31 Dec 2010, which was mainly due to increases in financial receivables by \$60.0 million and investments in associates by \$32.6 million.

Current liabilities decreased to \$278.4 million as at 30 Sep 2011 from \$315.9 million as at 31 Dec 2010, which was mainly due to lower trade and other payables during the financial period.

Non-current liabilities increased to \$809.7 million as at 30 Sep 2011 from \$529.2 million as at 31 Dec 2010, resulting mainly from increase of bank borrowings during the financial period to support the Group's upcoming projects. Included in the loans and borrowings as at 30 Sep 2011 was \$453.2 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. These Notes mature between 2014 and 2019.

The Group's net gearing ratio remain low as 0.14 times as at 30 Sep 2011 with the launch of Class A Cumulative Perpetual Preference Shares in Apr 2011.

8(b)(ii) The Company

The Company's shareholders' equity increased to \$627.8 million as at 30 Sep 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 Class A Cumulative Perpetual Preference Shares in April 2011.

8(c) Statement of Cash flows

Third quarter and nine months ended 30 Sep 2011

The Group's cash position increased to \$767.8 million as at 30 Sep 2011 from \$222.3 million as at 31 Dec 2010.

For 3Q2011 and 9M2011, net cash of \$58.9 million and \$57.1 million respectively were used in the Group's operating activities, mainly towards service concession arrangement projects. Excluding cash used in these projects, net cash used in the Group's operating activities was \$8.9 million in 3Q2011, while cash generated from operating activities in 9M2011 was \$27.3 million. Cash generated from investing activities for the financial period was largely contributed by proceeds from sale of its machinery and equipment offset by capital expenditure incurred for the construction of the Group's new headquarters. Cash generated from financing activities for 9M2011 was mainly from proceeds from Class A Cumulative Perpetual Preference Shares and borrowings to fund the Group's projects.

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

Singapore and China will continue to be the key drivers for FY2011. Work is progressing well on the Tuaspring Desalination project in Singapore as well as on-going projects in China.

The global economic forecast continues to be uncertain in the midst of the sovereign debt crisis in the European Union and sluggish growth outlook for the United States. China, a key market for the Group, is also experiencing slower growth because of the weakening global economy and the tightening of its monetary policies has also affected municipal infrastructure investments.

There are however opportunities in the global water industry, especially China and India where investments in sustainable sources of water are an integral part of government spending. The Group's current low gearing and strong cash position will enable it to take on such opportunities, albeit with a more cautious and selective stance with regard to strategic investments.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

Yes.

In October, the Company declared a tax-exempt (one-tier) dividends to holders of Class A Cumulative Perpetual Preference Shares at 6% per annum, calculated on the basis of 183 days from (and including) 25 April 2011 to (but excluding) 25 October 2011 (being the relevant dividend period). The said preference dividend of \$12,032,898 was paid on 25 October 2011.

(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 Sep 11 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
3 November 2011