



HYFLUX LTD
 Registration number : 200002722Z

Unaudited Financial Statements For The First Quarter Ended 31 March 2012

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 2012**

	<u>Group</u>		Change
	<u>Quarter ended 31 Mar</u>		
	2012	2011	
	S\$'000	S\$'000	%
Revenue	138,910	86,814	60
Other income	1,672	1,216	37
Changes in inventories of finished goods and work-in-progress	(1,120)	441	NM
Raw materials and consumables used and subcontractors' cost	(85,154)	(43,345)	96
Staff costs	(18,100)	(11,731)	54
Depreciation and amortisation	(5,343)	(4,939)	8
Other expenses	(13,368)	(16,770)	(20)
Finance costs	(6,761)	(5,542)	22
Share of (loss)/profit of associates, net of income tax	(225)	1,791	NM
Profit before income tax	<u>10,511</u>	<u>7,935</u>	32
Tax expense	(1,279)	(586)	NM
Profit for the period	<u><u>9,232</u></u>	<u><u>7,349</u></u>	26
Profit attributable to:			
Owners of the Company	7,683	7,380	4
Non-controlling interests	<u>1,549</u>	<u>(31)</u>	NM
Profit for the period	<u><u>9,232</u></u>	<u><u>7,349</u></u>	26

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

	<u>Group</u>		Change
	<u>Quarter ended 31 Mar</u>		
	2012	2011	%
	S\$'000	S\$'000	
Profit for the period	9,232	7,349	26
Other comprehensive income for the period			
Foreign currency translation differences for foreign operations	(12,597)	(4,707)	NM
Share of hedging reserve of associates	100	220	(55)
Net change in fair value of cash flow hedges transferred to profit or loss	232	-	NM
Other comprehensive loss for the period, net of income tax	(12,265)	(4,487)	NM
Total comprehensive (loss)/income for the period	(3,033)	2,862	NM
Total comprehensive income attributable to:			
Owners of the Company	(4,261)	3,084	NM
Non-controlling interests	1,228	(222)	NM
Total comprehensive (loss)/income for the period	(3,033)	2,862	NM

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>		Change
	<u>Quarter ended 31 Mar</u>		
	2012	2011	%
	S\$'000	S\$'000	
Allowance for inventory obsolescence	(7)	-	NM
Depreciation and amortisation	(5,343)	(4,939)	8
Fair value gain/(loss) on derivative financial instruments	177	(646)	NM
Finance costs	(6,761)	(5,542)	22
Interest income	772	687	12
(Loss)/gain on sale of property, plant and equipment	(46)	2	NM
Write back of trade and other receivables	71	72	(2)
Net foreign exchange loss	(1,259)	(1,048)	20
Overprovision of prior years' tax	493	89	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.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	<u>Group</u>		<u>Company</u>	
	31 Mar 12 S\$'000	31 Dec 11 S\$'000	31 Mar 12 S\$'000	31 Dec 11 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	189,426	188,571	-	-
Intangible assets	43,441	43,876	-	-
Intangible assets arising from service concession arrangements	153,823	154,937	-	-
Investments in subsidiaries	-	-	169,420	169,420
Investments in joint venture	-	-	3,125	3,125
Investments in associates	108,181	108,887	13,803	13,704
Financial receivables	501,304	418,320	-	-
Trade and other receivables	15,090	15,552	445,306	445,312
Deferred tax assets	3,492	2,829	-	-
	<u>1,014,757</u>	<u>932,972</u>	<u>631,654</u>	<u>631,561</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	137,680	176,910	-	-
Inventories	26,259	24,195	-	-
Financial receivables	5,855	4,937	-	-
Trade and other receivables, including derivatives	221,323	231,093	755,900	729,141
Cash and cash equivalents	604,179	662,358	66,686	96,407
	<u>995,296</u>	<u>1,099,493</u>	<u>822,586</u>	<u>825,548</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	232,612	227,840	168,542	135,567
Loans and borrowings	111,694	118,121	74,961	88,438
Tax payable	11,149	10,262	2,963	2,983
	<u>355,455</u>	<u>356,223</u>	<u>246,466</u>	<u>226,988</u>
Net current assets	639,841	743,270	576,120	598,560
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	709,818	712,301	570,306	573,811
Deferred tax liabilities	27,407	28,374	-	-
	<u>737,225</u>	<u>740,675</u>	<u>570,306</u>	<u>573,811</u>
Net assets	917,373	935,567	637,468	656,310
<u>EQUITY</u>				
Share capital	604,889	604,740	604,889	604,740
Reserve for own shares	(20,745)	(4,461)	(20,745)	(4,461)
Capital reserve	6,732	6,467	1,061	796
Foreign currency translation reserve	(8,641)	3,635	-	-
Hedging reserve	(3,664)	(3,996)	-	-
Employees' share option reserve	20,621	19,647	20,621	19,647
Retained earnings	301,977	294,559	31,642	35,588
Total equity attributable to owners of the Company	901,169	920,591	637,468	656,310
Non-controlling interests	16,204	14,976	-	-
Total equity	917,373	935,567	637,468	656,310
<i>Group net borrowings (S\$)</i>	217,333	168,064	n.a.	n.a.
<i>Group net gearing (times)</i>	0.24x	0.18x	n.a.	n.a.

NOTES TO STATEMENTS OF FINANCIAL POSITION

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

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

31 Mar 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,288	105,406	6,482	111,639

(ii) Amount repayable after one year

31 Mar 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
80,549	629,269	78,096	634,205

Details of any collateral

As at 31 Mar 2012 and 31 Dec 2011, secured bank loans of the Group were secured by land and building under construction and a joint venture's share mortgages of its shares of various subsidiaries.

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 FIRST QUARTER ENDED 31 MARCH 2012**

	<u>Group</u>	
	<u>Quarter ended 31 Mar</u>	
	2012	2011
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	10,511	7,935
Adjustments for:		
Allowance for inventory obsolescence	7	-
Depreciation and amortisation	5,343	4,939
Employees' share option expense	974	353
Fair value (gain)/loss on derivative financial instruments	(177)	646
Finance costs	6,761	5,542
Interest income	(772)	(687)
Loss/(gain) on sale of property, plant and equipment	46	(2)
Write back of trade and other receivables	(71)	(72)
Share of loss/(profit) of associates, net of income tax	225	(1,791)
	<u>22,847</u>	<u>16,863</u>
Change in inventories	(2,071)	(661)
Change in gross amounts due for contract work	39,247	(11,894)
Change in trade and other receivables	10,450	(13,529)
Change in trade and other payables	4,366	(37,017)
	<u>74,839</u>	<u>(46,238)</u>
Cash from/(used in) operating activities before service concession arrangement projects		
Change in financial receivables from service concession arrangements	(83,902)	(7,534)
Change in intangible assets arising from service concession arrangements	(4,896)	-
	<u>(13,959)</u>	<u>(53,772)</u>
Cash used in operating activities after service concession arrangement projects		
Income tax paid	(1,005)	(551)
	<u>(14,964)</u>	<u>(54,323)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Acquisition of intangible assets	(1,190)	(1,491)
Acquisition of property, plant and equipment	(7,640)	(6,637)
Change in amounts due from related parties (non-trade)	322	3,756
Dividends received from associates	330	300
Interests received	673	594
Proceeds from sale of other investments	-	2,429
Proceeds from sale of property, plant and equipment	122	-
	<u>(7,383)</u>	<u>(1,049)</u>
Net cash used in investing activities		

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2012 (cont'd)**

	<u>Group</u>	
	<u>Quarter ended 31 Mar</u>	
	2012	2011
	S\$'000	S\$'000
Cash flows from financing activities		
Decrease in deposits pledged	-	3
Interests paid	(13,011)	(7,757)
Proceeds from borrowings	6,461	106,694
Proceeds from exercise of share options	149	3,407
Purchase of treasury shares	(16,284)	-
Repayment of borrowings	(15,017)	(100,642)
Net cash (used in)/from financing activities	<u>(37,702)</u>	<u>1,705</u>
Net decrease in cash and cash equivalents	(60,049)	(53,667)
Cash and cash equivalents at beginning of the year	641,415	222,082
Effect of exchange rate changes	(5,431)	(3,220)
Cash and cash equivalents at end of the period [Note 1(c)(i)]	<u>575,935</u>	<u>165,195</u>

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>	
	2012	2011
	S\$'000	S\$'000
Cash and cash equivalents as per statement of financial position	604,179	171,037
Less: Bank overdraft	(28,244)	(5,641)
Less: Deposits pledged	-	(201)
Cash and cash equivalents as per statement of cash flows	<u>575,935</u>	<u>165,195</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 owners 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 1.1.2012	604,740	(4,461)	6,467	3,635	(3,996)	19,647	294,559	920,591	14,976	935,567
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	7,683	7,683	1,549	9,232
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(12,276)	-	-	-	(12,276)	(321)	(12,597)
Share of hedging reserve of associates	-	-	-	-	100	-	-	100	-	100
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	232	-	-	232	-	232
Total comprehensive (loss)/income for the period	-	-	-	(12,276)	332	-	7,683	(4,261)	1,228	(3,033)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of shares for cash under Employees' Share Option Scheme	149	-	-	-	-	-	-	149	-	149
Own shares acquired	-	(16,284)	-	-	-	-	-	(16,284)	-	(16,284)
Value of employee services received for issue of share options	-	-	-	-	-	974	-	974	-	974
Transfer to capital reserve	-	-	265	-	-	-	(265)	-	-	-
Total transactions with owners	149	(16,284)	265	-	-	974	(265)	(15,161)	-	(15,161)
At 31.03.2012	604,889	(20,745)	6,732	(8,641)	(3,664)	20,621	301,977	901,169	16,204	917,373

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 owners 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/(loss) for the period	-	-	-	-	-	-	7,380	7,380	(31)	7,349
Other comprehensive income										
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
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
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
At 31.03.2011	210,881	(1,292)	4,752	(19,153)	(3,340)	18,962	298,535	509,345	11,784	521,129

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 owners of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2012	604,740	(4,461)	796	19,647	35,588	656,310
Loss for the period representing total comprehensive income for the period	-	-	-	-	(3,681)	(3,681)
Transactions with owners, recognised directly in equity						
<i>Contributions by and distributions to owners</i>						
Issue of shares for cash under Employees' Share Option Scheme	149	-	-	-	-	149
Own shares acquired	-	(16,284)	-	-	-	(16,284)
Value of employee services received for issue of share options	-	-	-	974	-	974
Transfer to capital reserve	-	-	265	-	(265)	-
Total transactions with owners	149	(16,284)	265	974	(265)	(15,161)
At 31.03.2012	604,889	(20,745)	1,061	20,621	31,642	637,468
At 1.1.2011	207,474	(1,292)	-	18,609	34,065	258,856
Loss for the period representing total comprehensive income for the period	-	-	-	-	(2,489)	(2,489)
Transactions with owners, recognised directly in equity						
<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
At 31.03.2011	210,881	(1,292)	-	18,962	31,576	260,127

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 2012 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 Jan 2012	858,678,864	207,710
Issue of shares under the Employees' Share Option Schemes (the Schemes)	167,000	149
Less: Purchase of treasury shares	<u>(11,099,000)</u>	<u>(16,284)</u>
At 31 Mar 2012	<u>847,746,864</u>	<u>191,575</u>
Preference shares		
At 31 Mar 2012	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 31 Mar 2012		<u><u>584,144</u></u>

As at 31 Mar 2012, the number of ordinary shares in issue was 847,746,864 (31 Mar 2011: 860,116,364), excluding 14,310,000 (31 Mar 2011: 500,000) held by the Company as treasury shares.

The total number of issued 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) as at 31 Mar 2012 was 4,000,000 (31 Mar 2011: nil).

Outstanding share options under the Schemes

	No. of options
At 1 Jan 2012	41,713,681
Options granted	7,255,000
Exercised/Forfeited	<u>(1,463,688)</u>
At 31 Mar 2012	<u><u>47,504,993</u></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 31 Mar 2012 was 14,310,000 (31 Dec 2011: 3,211,000).

The total number of issued ordinary shares excluding treasury shares as at 31 Mar 2012 was 847,746,864 (31 Dec 2011: 858,678,864).

There was no change in the Company's issued CPS during the first quarter ended 31 March 2012. The total number of issued CPS as at 31 Mar 2012 was 4,000,000 (31 Dec 2011: 4,000,000).

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 2012.

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 revised FRS and Interpretations of FRS that are effective for annual periods beginning on or after 1 January 2012. 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

	31 Mar 2012	31 Mar 2011	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	0.20 cts	0.86 cts	(76.7)
- Weighted average number of shares	854,529,197	859,799,031	(0.6)
On a fully diluted basis of ordinary shares	0.20 cts	0.85 cts	(76.5)
- Adjusted weighted average number of shares	<u>854,575,622</u>	<u>866,435,027</u>	(1.4)

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 12 Cents	31 Dec 11 Cents	31 Mar 12 Cents	31 Dec 11 Cents
Based on 847,746,864 (31 Dec 2011): 858,678,864) ordinary shares in issue	59.1	60.6	28.0	29.8

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 recorded revenue of \$138.9 million and profit attributable to owners of the Company of \$7.7 million for the first quarter ended 31 Mar 2012 (1Q2012). The Group reported an increase of 4% in the net profit attributable to owners of the Company from \$7.4 million for the first quarter ended 31 Mar 2011 (1Q2011) mainly due to higher revenue offset by higher raw materials and consumables used, staff and financing costs as the Group geared up for the construction of its Singapore desalination plant.

The gross margin was 38% for 1Q2012 compared to 51% for 1Q2011 due to the geographical shift in the order book profile from Middle East and North Africa (MENA) to Asia. This was the case in 1Q2011 where the Group's projects in MENA were close to completion. The net margin for 1Q2012 held steady at 7%.

8(a)(i) Revenue

The Group's revenue for 1Q2012 increased by 60% to \$138.9 million as compared to \$86.8 million for 1Q2011 contributed by the Group's Singapore desalination plant construction that commenced in July 2011.

Sector Review

Revenue from the municipal sector continued to be the main contributor to the Group, increasing by 81% from \$70.3 million to \$127.3 million, and contributing 92% to the Group's total revenue for 1Q2012. In 1Q2011, municipal sector formed 81% of the Group's revenue.

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

Revenue from the industrial sector decreased by 28% from \$14.3 million for 1Q2011 to \$10.4 million for 1Q2012.

Geographical review

Singapore market continues to be the major contributor since second half of last financial year end with the commencement of our desalination plant construction in Singapore. Consequently, Singapore and Others represented 65% to the Group's total revenue in 1Q2012 from 21% in 1Q2011 by contributing \$90.6 million for 1Q2012 as compared to \$18.6 million for 1Q2011.

Contributions from the MENA market decreased from \$33.8 million in 1Q2011 to \$12.0 million in 1Q2012, representing a decline from 39% in 1Q2011 to 9% in 1Q2012 of the Group's total revenue. This was the result of lower EPC activities in MENA, with the completion of the SWRO desalination plant in Tlemcen, Algeria and with the other SWRO projects in Algeria and Oman nearing completion.

While MENA contributed approximately 9% of the total revenue, China represented 26% of total revenue in 1Q2012 as compared to 40% in 1Q2011.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs increased by 96% from \$43.3 million for 1Q2011 to \$85.2 million for 1Q2012 as a result of Engineering, Procurement and Construction (EPC) activities in Asia, particularly Singapore.

Staff costs increased by 54% from \$11.7 million for 1Q2011 to \$18.1 million for 1Q2012 primarily to meet the staffing needs of stronger EPC activities.

Finance costs increased from \$5.5 million for 1Q2011 to \$6.8 million for 1Q2012 due to higher bank borrowings.

Depreciation and amortisation increased marginally by 8% from \$4.9 million for 1Q2011 to \$5.3 million for 1Q2012.

Other expenses decreased from \$16.8 million for 1Q2011 to \$13.4 million for 1Q2012 attributed to significant reduction in professional fees and lower occupancy and utilities expenses.

The effective tax rate for the first quarter ended 31 Mar 2012 was about 11.9%, 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 (adjusted for dividends on CPS) for 1Q2012 decreased by 76.7% and 76.5% respectively to 0.20 cents as compared to 1Q2011.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity decreased to \$901.2 million as at 31 Mar 2012 from \$920.6 million as at 31 Dec 2011. The decrease was mainly attributable to the purchase of treasury shares of \$16.3 million and movements of \$12.3 million on translation of foreign operations resulting from strengthening of Singapore Dollars against US Dollars and Chinese Renminbi during the financial period. The decrease was offset by net profit for the period.

Current assets decreased to \$995.3 million as at 31 Mar 2012 from \$1,099.5 million as at 31 Dec 2011, which was mainly due to decreases in cash and cash equivalents, gross amounts due for contract work as well as trade and other receivables.

Non-current assets increased to \$1,014.8 million as at 31 Mar 2012 from \$933.0 million as at 31 Dec 2011, which was mainly due to increases in financial receivables by \$83.0 million arising from construction of our Singapore desalination plant.

Current liabilities decreased slightly to \$355.5 million as at 31 Mar 2012 from \$356.2 million as at 31 Dec 2011, which was attributed to repayment of borrowings. The decrease was offset by increase in trade payables.

Non-current liabilities decreased to \$737.2 million as at 31 Mar 2012 from \$740.7 million as at 31 Dec 2011. Included in the loans and borrowings as at 31 Mar 2012 was \$453.4 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 remained low at 0.24 times as at 31 Mar 2012.

8(b)(ii) The Company

The Company's shareholders' equity decreased to \$637.5 million as at 31 Mar 2012 from \$656.3 million as at 31 Dec 2011. The decrease was mainly attributable to the purchase of treasury shares of \$16.3 million.

8(c) Statement of Cash flows

The Group's cash position decreased to \$604.2 million as at 31 Mar 2012 from \$662.4 million as at 31 Dec 2011.

In 1Q2012, net cash of \$15.0 million was used in the Group's operating activities, mainly towards service concession arrangement projects. Excluding cash used in these projects, net cash generated in the Group's operating activities was \$74.8 million in 1Q2012. Cash used in investing activities for the financial period was largely contributed by capital expenditure incurred for the construction of the Group's new headquarters and manufacturing facility at Tuas Hub. Cash used in financing activities for 1Q2012 was mainly from purchasing of treasury shares, interest payments and repayment of borrowings.

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

In March 2012, Hyflux announced that it was in partnership with Hitachi Ltd and Itochu Corporation to develop Asia's largest membrane-based seawater desalination plant to be located at Dahej Special Economic Zone in the state of Gujarat, India.

The total cost of the desalination project is estimated to be US\$600 million. Hitachi will be the leading EPC contractor and will collaborate with Hyflux on the EPC works and the operations and maintenance of the completed desalination plant. The consortium partners are focusing on finalising the details of the project and the water purchase agreement (WPA).

Hyflux will provide a portion of the EPC services amounting to an estimated US\$420 million for the Dahej desalination project. The award of the EPC contract is subject to the execution of the WPA between the Hitachi-Itochu-Hyflux consortium and Dahej SEZ Limited, the developer of the Dahej Special Economic Zone and the project's financial close.

Apart from India and China, the Group is pursuing opportunities in the countries in the MENA region where they have announced plans for large-scale desalination plants to meet their dire water needs.

In Singapore, good progress has been made for the Tuaspring desalination project. The contract to supply, construct and commission the 411MW on-site combined cycle gas turbine (CCGT) power plant has been awarded to Siemens AG and Siemens Pte Ltd. By opting for the higher-efficiency Siemens' F Class CCGT that is expected to lower operating costs and provide better return on investment, the total project costs for the Tuaspring project has been revised from \$890 million to \$1.05 billion. Tuaspring Pte Ltd, a wholly-owned subsidiary of Hyflux, will continue to utilise corporate funding for the construction of the project. The change in cost for the project is expected to have a material financial impact on the Hyflux Group for the current financial year. The increase in the project cost has been submitted to PUB for its consideration and approval.

The global business environment continues to present challenges with the continued weaknesses in the European and US economies. At home, rising inflation will have an impact on business cost. The Group will continue to focus on project execution with a keen eye on cost efficiency.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

Yes.

In April, the Company declared a tax-exempt (one-tier) dividends to holders of CPS, calculated on the basis of 183 days from (and including) 25 October 2011 to (but excluding) 25 April 2012 (being the relevant dividend period). The said preference dividend of \$12,032,898 was paid on 25 April 2012.

(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. If the group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

No IPT mandate has been obtained from shareholders.

14. 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 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
3 May 2012