



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The First Quarter Ended 31 March 2013

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

**CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	<u>Group</u>		Change %
	<u>Quarter ended 31 Mar</u>		
	2013 S\$'000	2012 S\$'000 Restated	
Revenue	124,545	135,284	(8)
Other income	1,884	1,645	15
Changes in inventories of finished goods and work-in-progress	2,238	(1,851)	NM
Raw materials and consumables used and subcontractors' cost	(76,654)	(83,027)	(8)
Staff costs	(16,766)	(17,561)	(5)
Depreciation and amortisation	(4,247)	(3,902)	9
Other expenses	(12,053)	(12,251)	(2)
Finance costs	(5,990)	(5,117)	17
Share of losses of associates and joint ventures, net of income tax	(2,983)	(2,762)	8
Profit before income tax	9,974	10,458	(5)
Tax expense	(2,017)	(1,226)	64
Profit for the period	7,957	9,232	(14)
Profit attributable to:			
Owners of the Company	8,044	7,683	5
Non-controlling interests	(87)	1,549	NM
Profit for the period	7,957	9,232	(14)

NM: Not Meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2013**

	<u>Group</u>		Change
	<u>Quarter ended 31 Mar</u>		
	2013	2012	
	S\$'000	S\$'000	%
		Restated	
Profit for the period	7,957	9,232	(14)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences for foreign operations	4,318	(5,015)	NM
Effective portion of changes in fair value of cash flow hedges	127	-	100
Share of other comprehensive income of associates and joint ventures	5,501	(7,482)	NM
	9,946	(12,497)	
<u>Items that will not be reclassified to profit or loss</u>			
Net change in fair value of cash flow hedges transferred to profit or loss	(1,430)	232	NM
Other comprehensive income/(loss) for the period, net of income tax	8,516	(12,265)	NM
Total comprehensive income/(loss) for the period	16,473	(3,033)	NM
Total comprehensive income attributable to:			
Owners of the Company	16,517	(4,261)	NM
Non-controlling interests	(44)	1,228	NM
Total comprehensive income/(loss) for the period	16,473	(3,033)	NM

NOTES TO CONSOLIDATED INCOME STATEMENT

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

	<u>Group</u>		Change
	<u>Quarter ended 31 Mar</u>		
	2013	2012	
	S\$'000	S\$'000	%
		Restated	
Allowance for inventory obsolescence	(23)	(7)	NM
Depreciation and amortisation	(4,247)	(3,902)	9
Fair value gain on derivative financial instruments	-	177	NM
Finance costs	(5,990)	(5,117)	17
Loss on sale of property, plant and equipment (Impairment)/write back of trade and other receivables	(6)	(46)	(87)
Interest income	(23)	71	NM
Interest income	717	729	(2)
Net foreign currency exchange gain/(loss)	576	(1,063)	NM
(Under)/overprovision of prior years' tax	(22)	493	NM

NM: Not Meaningful



1(b)(i) Statements 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 31 MARCH 2013

	<u>Group</u>		<u>Company</u>	
	31 Mar 13 S\$'000	31 Dec 12 S\$'000 Restated	31 Mar 13 S\$'000	31 Dec 12 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	194,966	195,388	-	-
Intangible assets	33,133	32,722	-	-
Intangible assets arising from service concession arrangements	321,658	226,485	-	-
Investments in subsidiaries	-	-	177,420	177,420
Investments in joint ventures	226,464	223,308	3,125	3,125
Investments in associates	103,907	104,092	14,212	14,109
Financial receivables	510,595	504,145	-	-
Trade and other receivables	14,864	14,594	763,231	760,736
Deferred tax assets	1,790	1,656	-	-
	<u>1,407,377</u>	<u>1,302,390</u>	<u>957,988</u>	<u>955,390</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	120,331	119,119	-	-
Inventories	31,052	30,561	-	-
Financial receivables	10,570	7,289	-	-
Trade and other receivables	234,135	232,787	610,823	490,628
Cash and cash equivalents	402,329	497,558	122,960	176,216
	<u>798,417</u>	<u>887,314</u>	<u>733,783</u>	<u>666,844</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables	245,483	307,071	38,821	34,813
Loans and borrowings	58,414	58,688	6,221	10,000
Tax payable	8,464	8,932	3,150	2,868
	<u>312,361</u>	<u>374,691</u>	<u>48,192</u>	<u>47,681</u>
Net current assets	486,056	512,623	685,591	619,163
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	993,603	932,919	970,373	908,519
Deferred tax liabilities	5,291	5,065	-	-
	<u>998,894</u>	<u>937,984</u>	<u>970,373</u>	<u>908,519</u>
Net assets	894,539	877,029	673,206	666,034
<u>EQUITY</u>				
Share capital	605,384	605,196	605,384	605,196
Reserve for own shares	(51,484)	(51,484)	(51,484)	(51,484)
Capital reserve	9,340	9,094	2,123	1,858
Foreign currency translation reserve	(20,959)	(30,480)	-	-
Hedging reserve	(392)	656	-	-
Employees' share option reserve	23,306	22,457	23,306	22,457
Retained earnings	312,952	305,154	93,877	88,007
Total equity attributable to owners of the Company	878,147	860,593	673,206	666,034
Non-controlling interests	16,392	16,436	-	-
Total equity	894,539	877,029	673,206	666,034
<i>Group net borrowings (S\$)</i>	649,688	494,049	n.a.	n.a.
<i>Group net gearing (times)</i>	0.7x	0.6x	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 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,470	51,944	6,352	52,336

(ii) Amount repayable after one year

31 Mar 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
21,027	972,576	22,233	910,686

Details of any collateral

As at 31 March 2013 and 31 December 2012, secured bank loans of the Group were secured by land and building of a subsidiary.



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 2013**

	<u>Group</u>	
	<u>Quarter ended 31 Mar</u>	
	2013	2012
	S\$'000	S\$'000
		Restated
Cash flows from operating activities		
Profit before income tax	9,974	10,458
Adjustments for:		
Allowance for inventory obsolescence	23	7
Amortisation of transaction costs related to borrowings	204	-
Depreciation and amortisation	4,247	3,902
Employees' share option expense	849	974
Fair value gain on derivative financial instruments	-	(177)
Finance costs	5,990	5,117
Loss on sale of property, plant and equipment	6	46
Impairment/(write back) of trade and other receivables	23	(71)
Interest income	(717)	(729)
Share of losses of associates and joint ventures, net of income tax	2,983	2,762
	<u>23,582</u>	<u>22,289</u>
Change in inventories	(517)	(1,791)
Change in gross amounts due for contract work	(1,212)	39,591
Change in trade and other receivables	(1,944)	4,108
Change in trade and other payables	<u>(56,581)</u>	<u>10,339</u>
Cash (used in)/from operating activities before service concession arrangement projects	<u>(36,672)</u>	<u>74,536</u>
Change in financial receivables from service concession arrangements	(9,285)	(82,172)
Change in intangibles assets arising from service concession arrangements	<u>(92,283)</u>	<u>(4,301)</u>
Cash used in operating activities after service concession arrangement projects	<u>(138,240)</u>	<u>(11,937)</u>
Income tax paid	<u>(2,408)</u>	<u>(1,005)</u>
Net cash used in operating activities	<u>(140,648)</u>	<u>(12,942)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(1,553)	(1,190)
Acquisition of property, plant and equipment	(1,265)	(6,605)
Change in amounts due from related parties (non-trade)	-	330
Dividends received from associates	420	330
Interest received	155	631
Proceeds from sale of property, plant and equipment	7	122
Net cash used in investing activities	<u>(2,236)</u>	<u>(6,382)</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2013 (cont'd)**

	<u>Group</u>	
	<u>Quarter ended 31 Mar</u>	
	2013	2012
	S\$'000	S\$'000
		Restated
Cash flows from financing activities		
Interest paid	(14,662)	(11,157)
Proceeds from borrowings	65,189	118
Proceeds from exercise of share options	188	149
Purchases of treasury shares	-	(16,284)
Repayment of borrowings	(11,573)	(13,500)
Net cash from/(used in) financing activities	<u>39,142</u>	<u>(40,674)</u>
Net decrease in cash and cash equivalents	(103,742)	(59,998)
Cash and cash equivalents at beginning of the year	449,014	606,617
Effect of exchange rate fluctuations on cash held	<u>4,989</u>	<u>(5,431)</u>
Cash and cash equivalents at end of the period [Note 1(c)(i)]	<u>350,261</u>	<u>541,188</u>

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>	
	2013	2012
	S\$'000	S\$'000
		Restated
Cash and cash equivalents as per statements of financial position	402,329	569,432
Less: Bank overdraft	(44,827)	(28,244)
Less: Deposits pledged	(7,241)	-
Cash and cash equivalents as per statement of cash flows	<u>350,261</u>	<u>541,188</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 1.1.2013	605,196	(51,484)	9,094	(30,480)	656	22,457	305,154	860,593	16,436	877,029
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	8,044	8,044	(87)	7,957
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	4,275	-	-	-	4,275	43	4,318
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	127	-	-	127	-	127
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(1,430)	-	-	(1,430)	-	(1,430)
Share of other comprehensive income of associates and joint ventures	-	-	-	5,246	255	-	-	5,501	-	5,501
Total comprehensive income/(loss) for the period	-	-	-	9,521	(1,048)	-	8,044	16,517	(44)	16,473
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Issue of shares for cash under Employees' Share Option Schemes	188	-	-	-	-	-	-	188	-	188
Value of employee services received for issue of share options	-	-	-	-	-	849	-	849	-	849
Share of reserve of joint ventures	-	-	(19)	-	-	-	19	-	-	-
Transfer to capital reserve	-	-	265	-	-	-	(265)	-	-	-
Total transactions with owners	188	-	246	-	-	849	(246)	1,037	-	1,037
At 31.03.2013	605,384	(51,484)	9,340	(20,959)	(392)	23,306	312,952	878,147	16,392	894,539



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 1.1.2012	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	-	-	-	(4,694)	-	-	-	(4,694)	(321)	(5,015)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	232	-	-	232	-	232
Share of other comprehensive income of associates and joint ventures	-	-	-	(7,582)	100	-	-	(7,482)	-	(7,482)
Total comprehensive income/(loss) 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 Schemes	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



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

	Share capital S\$'000	Reserve for own shares S\$'000	Capital reserve S\$'000	Employees' share option reserve S\$'000	Retained earnings S\$'000	Total equity attributable to owners of the Company S\$'000
At 1.1.2013	605,196	(51,484)	1,858	22,457	88,007	666,034
Profit for the period representing total comprehensive income for the period	-	-	-	-	6,135	6,135
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of shares for cash under Employees' Share Option Schemes	188	-	-	-	-	188
Value of employee services received for issue of share options	-	-	-	849	-	849
Transfer to capital reserve	-	-	265	-	(265)	-
Total transactions with owners	188	-	265	849	(265)	1,037
At 31.03.2013	605,384	(51,484)	2,123	23,306	93,877	673,206
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						
Contributions by and distributions to owners						
Issue of shares for cash under Employees' Share Option Schemes	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



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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 March 2013 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 January 2013	825,222,739	161,143
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	<u>192,000</u>	<u>188</u>
At 31 March 2013	<u>825,414,739</u>	<u>161,331</u>
Preference shares		
At 1 January 2013 and 31 March 2013	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 31 March 2013		<u><u>553,900</u></u>

As at 31 March 2013, the number of ordinary shares in issue were 825,414,739 (31 March 2012: 847,746,864), excluding 37,146,000 (31 March 2012: 14,310,000) 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 March 2013 were 4,000,000 (31 March 2012: 4,000,000).

Outstanding share options under the Scheme

	No. of options
At 1 January 2013	45,417,477
Options granted	2,180,000
Options granted but not accepted	-
Exercised/Forfeited	<u>(1,366,602)</u>
At 31 March 2013	<u>46,230,875</u>

As at 31 March 2013, the number of outstanding share options under the Schemes were 46,230,875 (31 March 2012: 47,504,993).



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 March 2013 were 37,146,000 (31 December 2012: 37,146,000).

The total number of issued ordinary shares excluding treasury shares as at 31 March 2013 were 825,414,739 (31 December 2012: 825,222,739).

There was no change in the Company's issued CPS during the first quarter ended 31 March 2013. The total number of issued CPS as at 31 March 2013 were 4,000,000 (31 December 2012: 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 March 2013.

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 the financial year beginning on 1 January 2013. Except as disclosed below, none of these are expected to have a significant impact on the financial statements

The Group has early adopted these Financial Reporting Standards ("FRSs") from the financial period beginning 1 January 2013. These FRSs' mandatory effective date would have been from 1 January 2014 onwards.

- FRS 110 Consolidated Financial Statements
- FRS 111 Joint Arrangements
- FRS 112 Disclosure of Interests in Other Entities
- Revised FRS 27 Separate Financial Statements
- Revised FRS 28 Investments in Associates and Joint Ventures



Previously, the Group accounted for its investments in joint arrangements using proportionate consolidation method. Arising from the application of FRS 111, all the existing joint arrangements are classified as joint venture and accounted for using the equity method. These changes has been applied retrospectively with comparative figures restated.

The effect of the application of FRS 111 was a decrease of \$3.6 million revenue for the first quarter ended 31 March 2012 ("1Q2012") with no changes to the Group's net assets as at 31 December 2012 and net profits for 1Q2012.

Additionally, the Group adopted FRS 1 – *Presentation of Items of Other Comprehensive Income (Amendments to FRS 1)* which become effective for financial period beginning on or after 1 July 2012. Upon adoption, the Group classified its other comprehensive income into items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

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

	31 Mar 13	31 Mar 12	Change %
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:-			
Based on the weighted average number of ordinary shares in issue	0.25 cts	0.20 cts	25.0
- Weighted average number of shares	825,322,739	854,529,197	(3.4)
On a fully diluted basis of ordinary shares	0.25 cts	0.20 cts	25.0
- Adjusted weighted average number of shares	<u>826,693,945</u>	<u>854,575,622</u>	(3.3)

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares 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 13 Cents	31 Dec 12 Cents	31 Mar 13 Cents	31 Dec 12 Cents
Based on 825,414,739 (31 December 2012: 825,222,739) ordinary shares in issue	<u>57.9</u>	<u>55.8</u>	<u>33.1</u>	<u>32.2</u>



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

8(a)(i) Revenue and earnings

The Group achieved revenue of \$124.5 million and profit attributable to owners of the Company (PATMI) of \$8.0 million for the first quarter ended 31 March 2013 (1Q2013). Revenue decrease by 8% from \$135.3 million for the first quarter ended 31 March 2012 (1Q2012). PATMI saw an increase of 5% from \$7.7 million in 1Q2012. As a result of overall cost management efforts, the Group improved on its gross margin to 40% in 1Q2013.

Basic and fully diluted earnings per share (adjusted for dividends on CPS) for 1Q2013 increased by 25% to 0.25 cents respectively as compared to 1Q2012.

Sector Review

The Group saw a similar revenue profile by sector in 1Q2013 as compared to the corresponding period. Municipal and industrial sectors contributed 93% and 6% in 1Q2013 to the Group's total revenue from 91% and 8% in 1Q2012, respectively. This was translated into \$115.4 million (1Q2012: \$123.8 million) of municipal revenue and \$7.5 million (1Q2012: \$10.4 million) of industrial revenue in 1Q2013.

The Group's municipal projects are from Asia and MENA.

Geographical Review

The Group's Asia ex-China market continued to be the major contributor in 1Q2013. Asia ex-China market contributed \$109.2 million revenue in 1Q2013 from that of \$90.6 million in 1Q2012. This represented 87% of the Group's total revenue in 1Q2013, a significant increase from 67% in 1Q2012.

On the other hand, MENA region contributed marginally to the Group's revenue at \$5.9 million or 5% in 1Q2013 from that of \$12.0 million or 9% in 1Q2012.

The Group's China market made up of \$9.4 million or 8% to the total revenue in 1Q2013 as compared to \$32.7 million or 24% in 1Q2012.

8(a)(ii) Costs and expenses

Raw materials and consumables used as well as subcontractors' cost decreased from \$83.0 million in 1Q2012 to \$76.7 million in 1Q2013 in line with our revenue change.

Higher depreciation and amortisation in 1Q2013 registered by the Group's new headquarter that was completed in June 2012.

Finance costs increased by 17%, from \$5.1 million in 1Q2012 to \$6.0 million in 1Q2013 due to higher bank borrowings.

The effective tax rate for 1Q2013 was about 15.6% which approximated Singapore prevailing corporate tax rate.



8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$878.1 million as at 31 March 2013 from \$860.6 million as at 31 December 2012. The increase was mainly attributable to \$9.5 million translation gain on foreign operations resulting from weakening of Singapore Dollars against US Dollars and Chinese Renminbi during the financial period. Net profit for the three months financial period also contributed to the Group's equity base.

Current assets decreased to \$798.4 million as at 31 March 2013 from \$887.3 million as at 31 December 2012 as a result of cash and cash equivalents being deployed for projects. This had consequently resulted in lower trade payables balances as at 31 March 2013.

Non-current assets increased to \$1,407.4 million as at 31 March 2013 from \$1,302.4 million as at 31 December 2012, mainly due to increases in intangible assets arising from service concession arrangements arising from the Group's activities in Asia ex-China.

Non-current liabilities increased to \$998.9 million as at 31 March 2013 from \$938.0 million as at 31 December 2012 due to increase in loans and borrowings. Included in the balances as at 31 March 2013 was \$553.3 million fixed rate unsecured notes issued under the Group's Multicurrency Debt Issuance Programme that mature between 2014 and 2019.

The Group's net gearing ratio remained healthy at 0.7 times as at 31 March 2013.

8(b)(ii) The Company

The Company's shareholders' equity increased to \$673.2 million as at 31 March 2013 as compared to \$666.0 million as at 31 December 2012.

8(c) Statement of Cash flows

The Group's cash position decreased to \$402.3 million as at 31 March 2013 from \$497.6 million as at 31 December 2012.

In 1Q2013, net cash of \$140.6 million was 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 \$36.7 million in 1Q2013 mainly due to payments to suppliers.

Cash used in the Group's investing activities in 1Q2013 was incurred for capital expenditure of property, plant and equipment and intangible assets to support the Group's expansion.

Cash generated from the Group's financing activities in 1Q2013 was mainly from borrowings for funding of the Group's projects. Excluding cash flow from borrowings, cash were used for repayments of borrowings and interests.

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 significant trends and 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

Tuaspring Desalination Plant in Singapore is currently undergoing testing and commissioning. The plant is scheduled to start operations in the second half 2013 and will begin to contribute to the Group's growing portion of recurring income.

Despite the challenging economic conditions, the Group notes an improvement in the global water industry as governments are investing in large-scale water projects due to pent-up demand, and as more projects are being put up for tender to tap on private-sector funding. The prospects for the industrial water sector continue to improve as countries such as China and India impose more stringent water discharge standards and encourage industries to seek alternative sustainable sources of water such as recycling and desalination. Hyflux continues to actively pursue opportunities in Asia, the Middle East and in selective markets in Africa.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

Yes.

In April 2013, the Company declared a tax-exempt (one-tier) dividend to holders of CPS, calculated on the basis of 182 days from (and including) 25 October 2012 to (but excluding) 25 April 2013 (being the relevant dividend period). The said preference dividend of \$11,967,104 was paid on 25 April 2013.

(b) Corresponding period of the immediately preceding financial year

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

Yes.

In April 2012, the Company declared a tax-exempt (one-tier) dividend 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.

(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 March 2013 to be false or misleading in any material aspect

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
9 May 2013