



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The First Quarter Ended 31 March 2014

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 2014**

	Group		
	Quarter ended 31 Mar		
	2014	2013	Change
	S\$'000	S\$'000	%
Revenue	88,316	124,545	(29)
Other income	56,906	1,884	NM
Changes in inventories of finished goods and work-in-progress	2,253	2,238	1
Raw materials and consumables used and subcontractors' costs	(38,182)	(76,654)	(50)
Staff costs	(18,010)	(16,766)	7
Depreciation, amortisation and impairment	(6,736)	(4,247)	59
Other expenses	(34,043)	(12,053)	NM
Finance costs	(8,369)	(5,990)	40
Share of losses of associates and joint ventures, net of income tax	(3,766)	(2,983)	26
Profit before income tax	38,369	9,974	NM
Tax expense	(504)	(2,017)	(75)
Profit for the period	37,865	7,957	NM
Profit attributable to:			
Owners of the Company	37,911	8,044	NM
Non-controlling interests	(46)	(87)	(47)
Profit for the period	37,865	7,957	NM

NM: Not Meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

	Group		Change
	Quarter ended 31 Mar		
	2014	2013	
	S\$'000	S\$'000	%
Profit for the period	37,865	7,957	NM
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences for foreign operations	(346)	4,318	NM
Effective portion of changes in fair value of cash flow hedges	(5,328)	127	NM
Share of other comprehensive income of associates and joint ventures	(595)	5,501	NM
	(6,269)	9,946	NM
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Net change in fair value of cash flow hedges transferred to profit or loss	(23)	(1,430)	(98)
Realisation of foreign currency translation to profit or loss	(110)	-	NM
	(133)	(1,430)	(91)
Other comprehensive income for the period, net of income tax	(6,402)	8,516	NM
Total comprehensive income for the period	31,463	16,473	91
Total comprehensive income attributable to:			
Owners of the Company	31,493	16,517	91
Non-controlling interests	(30)	(44)	(32)
Total comprehensive income for the period	31,463	16,473	91

NM: Not Meaningful



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>		
	2014 S\$'000	2013 S\$'000	
Allowance for inventory obsolescence	(49)	(23)	NM
Depreciation, amortisation and impairment	(6,736)	(4,247)	59
Finance costs	(8,369)	(5,990)	40
Gain on disposal of an associate and a joint venture	54,118	-	NM
Impairment of trade and other receivables	(10,689)	(23)	NM
Interest income	691	717	(4)
Loss on sale of property, plant and equipment	(2)	(6)	(67)
Net foreign currency exchange (loss)/gain	(925)	576	NM
Underprovision of prior years' tax	(1,434)	(22)	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 2014

	<u>Group</u>		<u>Company</u>	
	31 Mar 14 S\$'000	31 Dec 13 S\$'000	31 Mar 14 S\$'000	31 Dec 13 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	178,504	180,439	-	-
Intangible assets	32,209	34,247	-	-
Intangible assets arising from service concession arrangements	862,208	800,185	-	-
Investments in subsidiaries	-	-	183,290	176,790
Investments in joint ventures	231,808	237,284	-	3,125
Investments in associates	101,542	105,118	14,643	14,535
Other investments	18,022	18,022	630	630
Financial receivables	381,125	383,250	-	-
Trade and other receivables	15,165	15,139	543,692	526,963
Deferred tax assets	4,152	1,951	-	-
	<u>1,824,735</u>	<u>1,775,635</u>	<u>742,255</u>	<u>722,043</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	88,625	96,987	-	-
Inventories	35,815	34,643	-	-
Financial receivables	13,357	11,702	-	-
Trade and other receivables	228,852	233,593	807,540	719,593
Cash and cash equivalents	457,811	243,945	266,339	68,576
	<u>824,460</u>	<u>620,870</u>	<u>1,073,879</u>	<u>788,169</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables	216,455	218,931	64,173	24,320
Loans and borrowings	199,958	128,999	134,903	65,957
Tax payable	15,656	11,928	7,809	7,098
	<u>432,069</u>	<u>359,858</u>	<u>206,885</u>	<u>97,375</u>
Net current assets	392,391	261,012	866,994	690,794
<u>NON-CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	12,975	7,199	-	-
Loans and borrowings	998,072	1,137,980	596,741	737,452
Deferred tax liabilities	4,832	5,176	-	-
	<u>1,015,879</u>	<u>1,150,355</u>	<u>596,741</u>	<u>737,452</u>
Net assets	1,201,247	886,292	1,012,508	675,385



STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014 (cont'd)

	<u>Group</u>		<u>Company</u>	
	31 Mar 14	31 Dec 13	31 Mar 14	31 Dec 13
	S\$'000	S\$'000	S\$'000	S\$'000
<u>EQUITY</u>				
Share capital	607,029	606,887	607,029	606,887
Capital securities	295,486	-	295,486	-
Reserve for own shares	(51,484)	(51,484)	(51,484)	(51,484)
Capital reserve	7,826	7,560	3,185	2,919
Foreign currency translation reserve	(1,396)	(101)	-	-
Hedging reserve	(9,874)	(4,751)	-	-
Employees' share option reserve	24,017	24,186	24,017	24,186
Retained earnings	325,955	300,277	134,275	92,877
Total equity attributable to owners of the Company	1,197,559	882,574	1,012,508	675,385
Non-controlling interests	3,688	3,718	-	-
Total equity	1,201,247	886,292	1,012,508	675,385
<i>Group net borrowings (S\$)</i>	740,219	1,023,034	n.a.	n.a.
<i>Group net gearing (times)</i>	0.62x	1.15x	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 14		31 Dec 13	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,000	197,958	2,000	126,999

(ii) Amount repayable after one year

31 Mar 14		31 Dec 13	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
272,113	725,959	271,781	866,199

Details of any collateral

As at 31 March 2014 and 31 December 2013, secured bank loans of the Group are secured by leasehold property and specific project assets under project financing of certain 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 2014**

	Group	
	Quarter ended 31 Mar	
	2014	2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	38,369	9,974
Adjustments for:		
Allowance for inventory obsolescence	49	23
Amortisation of transaction costs related to borrowings	203	204
Depreciation, amortisation and impairment	6,736	4,247
Employees' share option expense	(169)	849
Finance costs	8,369	5,990
Gain on disposal of an associate and a joint venture	(54,118)	-
Impairment of trade and other receivables	10,689	23
Interest income	(691)	(717)
Loss on sale of property, plant and equipment	2	6
Share of losses of associates and joint ventures, net of income tax	3,766	2,983
	<u>13,205</u>	<u>23,582</u>
Change in inventories	(1,221)	(517)
Change in gross amounts due for contract work	8,362	(1,212)
Change in trade and other receivables	(7,409)	(1,944)
Change in trade and other payables	777	(56,581)
Cash from/(used in) operating activities before service concession arrangement projects	<u>13,714</u>	<u>(36,672)</u>
Change in financial receivables from service concession arrangements	476	(9,285)
Change in intangible assets arising from service concession arrangements	(63,388)	(92,283)
Cash used in operating activities after service concession arrangement projects	<u>(49,198)</u>	<u>(138,240)</u>
Income tax refunded/(paid)	223	(2,408)
Net cash used in operating activities	<u>(48,975)</u>	<u>(140,648)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(542)	(1,553)
Acquisition of property, plant and equipment	(1,343)	(1,265)
Additional investments in associate	(8,589)	-
Dividends received from associates	4,468	420
Interest received	588	155
Proceeds from disposal of an associate and a joint venture	63,432	-
Proceeds from sale of property, plant and equipment	2	7
Net cash from/(used in) investing activities	<u>58,016</u>	<u>(2,236)</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (cont'd)**

	<u>Group</u>	
	<u>Quarter ended 31 Mar</u>	
	2014	2013
	S\$'000	S\$'000
Cash flows from financing activities		
Interest paid	(18,630)	(14,662)
Net proceeds from perpetual capital securities issued	295,486	-
Proceeds from borrowings	27,896	65,189
Proceeds from exercise of share options	142	188
Repayment of borrowings	(100,000)	(11,573)
Net cash from financing activities	<u>204,894</u>	<u>39,142</u>
Net increase/(decrease) in cash and cash equivalents	213,935	(103,742)
Cash and cash equivalents at beginning of the year	182,585	449,015
Effect of exchange rate fluctuations on cash held	(2,078)	4,988
Cash and cash equivalents at end of the period [Note 1(c)(i)]	<u>394,442</u>	<u>350,261</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>	
	2014	2013
	S\$'000	S\$'000
Cash and cash equivalents as per statement of financial position	457,811	402,329
Less: Bank overdraft	(61,227)	(44,827)
Less: Deposits pledged	(2,142)	(7,241)
Cash and cash equivalents as per statement of cash flows	<u>394,442</u>	<u>350,261</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	Capital Securities	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	S\$'000
At 1.1.2014	606,887	-	(51,484)	7,560	(101)	(4,751)	24,186	300,277	882,574	3,718	886,292
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	37,911	37,911	(46)	37,865
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	-	-	(362)	-	-	-	(362)	16	(346)
Realisation of foreign currency translation to profit or loss	-	-	-	-	(110)	-	-	-	(110)	-	(110)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(5,328)	-	-	(5,328)	-	(5,328)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	(23)	-	-	(23)	-	(23)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	(823)	228	-	-	(595)	-	(595)
Total comprehensive income for the period	-	-	-	-	(1,295)	(5,123)	-	37,911	31,493	(30)	31,463
Transactions with owners, recognised directly in equity											
Contributions by and distributions to owners											
Dividends payable	-	-	-	-	-	-	-	(11,967)	(11,967)	-	(11,967)
Issue of Capital Securities	-	295,486	-	-	-	-	-	-	295,486	-	295,486
Issue of shares for cash under Employees' Share Option Schemes	142	-	-	-	-	-	-	-	142	-	142
Value of employee services received for issue of share options	-	-	-	-	-	-	(169)	-	(169)	-	(169)
Transfer to capital reserve	-	-	-	266	-	-	-	(266)	-	-	-
Total transactions with owners	142	295,486	-	266	-	-	(169)	(12,233)	283,492	-	283,492
At 31.3.2014	607,029	295,486	(51,484)	7,826	(1,396)	(9,874)	24,017	325,955	1,197,559	3,688	1,201,247



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 1.1.2013	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/(loss) 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 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 31.3.2013	605,384	(51,484)	9,340	(20,959)	(392)	23,306	312,952	878,147	16,392	894,539



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

	Share capital S\$'000	Capital Securities 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 1.1.2014	606,887	-	(51,484)	2,919	24,186	92,877	675,385
Profit for the period representing total comprehensive income for the period	-	-	-	-	-	53,631	53,631
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividends payable	-	-	-	-	-	(11,967)	(11,967)
Issue of Capital Securities	-	295,486	-	-	-	-	295,486
Issue of shares for cash under Employees' Share Option Schemes	142	-	-	-	-	-	142
Value of employee services received for issue of share options	-	-	-	-	(169)	-	(169)
Transfer to capital reserve	-	-	-	266	-	(266)	-
Total transactions with owners	142	295,486	-	266	(169)	(12,233)	283,492
At 31.3.2014	607,029	295,486	(51,484)	3,185	24,017	134,275	1,012,508
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 31.3.2013	605,384	-	(51,484)	2,123	23,306	93,877	673,206



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 2014 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 January 2014	827,007,989	162,834
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	<u>144,000</u>	<u>142</u>
At 31 March 2014	<u>827,151,989</u>	<u>162,976</u>
Preference shares		
At 1 January 2014 and 31 March 2014	<u>4,000,000</u>	<u>392,569</u>
Capital securities		
At 1 January 2014		-
Issue of Capital Securities		<u>295,486</u>
At 31 March 2014		<u>295,486</u>
Issued share capital at 31 March 2014		<u><u>851,031</u></u>

As at 31 March 2014, the number of ordinary shares in issue were 827,151,989 (31 March 2013: 825,414,739), excluding 37,146,000 (31 March 2013: 37,146,000) 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 2014 were 4,000,000 (31 March 2013: 4,000,000).

On 23 January 2014, the Company issued \$300 million perpetual capital securities (Capital Securities). The Capital Securities bear interest at 5.75%, is unsecured and redeemable at the option of the Company, in whole or in part, on or after 23 January 2017. The Capital Securities is not callable within three years from the date of issue by the Company. The Capital Securities is accounted for as part of the Company's equity.

Outstanding share options under the Scheme

	No. of options
At 1 January 2014	39,297,750
Options granted	3,030,000
Options granted but not accepted	(50,000)
Exercised/Forfeited	<u>(2,651,000)</u>
At 31 March 2014	<u><u>39,626,750</u></u>

As at 31 March 2014, the number of outstanding share options under the Schemes were 39,626,750 (31 March 2013: 46,230,875).



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 issued ordinary shares as at 31 March 2014 were 827,151,989 (31 December 2013: 827,007,989), excluding 37,146,000 (31 December 2013: 37,146,000) held by the Company as treasury shares.

There was no change in the Company's issued CPS during the financial period ended 31 March 2014. The total number of issued CPS as at 31 March 2014 were 4,000,000 (31 December 2013: 4,000,000).

The Company issued Capital Securities amounting to \$300 million during the financial period ended 31 March 2014 (31 December 2013: 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 31 March 2014.

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.

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 2014. Those new/revised FRS and Interpretations of FRS are not expected to have any significant impact on the financial statements.



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 14	31 Mar 13	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	3.47 cts	0.25 cts	NM
- Weighted average number of shares	827,055,989	825,322,739	0.2
On a fully diluted basis of ordinary shares	3.47 cts	0.25 cts	NM
- Adjusted weighted average number of shares	<u>827,316,453</u>	<u>826,693,945</u>	0.1

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 14 Cents	31 Dec 13 Cents	31 Mar 14 Cents	31 Dec 13 Cents
Based on 827,151,989 (31 December 2013: 827,007,989) ordinary shares in issue	<u>60.2</u>	<u>58.4</u>	<u>37.8</u>	<u>33.3</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 profit attributable to the shareholders of the Company (PATMI) of \$37.9 million for the first quarter ended 31 March 2014 (1Q2014), an increase from \$8.0 million for the first quarter ended 31 March 2013 (1Q2013). Total revenue for 1Q2014 was \$88.3 million, a 29% decline from 1Q2013 of \$124.5 million reflected the timing of projects commencement in FY2014.

The Group reported gross profits of \$52.4 million in 1Q2014 compared to \$50.1 million in 1Q2013.

In 1Q2014, the Group disposed of its investments in Hyflux Marmon Development Pte Ltd (HMD), a joint venture of the Group, and Marmon Hyflux Investments Pte Ltd, an associate of the Group to Marmon Water (Singapore) Pte Ltd. The gain on the disposals amounting to \$54.1 million was recognised as other income.

Basic and fully diluted earnings per share adjusted for dividends on CPS and Capital Securities (1Q2013: adjusted for dividends on CPS) for 1Q2014 increased to 3.47 cents as compared to 1Q2013 of 0.25 cents.

Sector Review

Municipal sector continued to be the main contributor to the Group's revenue, accounting for 92% and 93% of the Group's total revenue in 1Q2014 and 1Q2013 respectively. Revenue from the industrial sector made up 6% of the Group's revenue for 1Q2014, consistent with 1Q2013.

Geographical Review

The Asia ex-China market remained the major revenue contributor in 1Q2014, representing 83% of the Group's total revenue, a drop from 87% in 1Q2013. On the other hand, China market contributed 12% to the total revenue in 1Q2014, an increase from 8% in 1Q2013. Contributions from MENA amounted to 5% for 1Q2014, consistent with 1Q2013.

8(a)(ii) Costs and expenses

Lower raw materials, consumables used and subcontractors' costs were utilised for 1Q2014 in aggregate as compared to corresponding periods which was in line with lower revenue generated and cost management. These direct costs decreased from \$76.7 million in 1Q2013 to \$38.2 million in 1Q2014.

Total staff costs increased from \$16.8 million in 1Q2013 to \$18.0 million in 1Q2014.

Increased finance costs from \$6.0 million in 1Q2013 to \$8.4 million in 1Q2014, due to overall higher borrowings in financing the Group's projects.

Higher depreciation, amortisation and impairment increased from \$4.2 million in 1Q2013 to \$6.7 million in 1Q2014 partly due to amortisation of Tuaspring plant that commenced its operation in September 2013.

Other expenses increased from \$12.1 million in 1Q2013 to \$34.0 million in 1Q2014, mainly due to higher utilities cost for Tuaspring plant from the delay in the operational readiness of the national power grid to connect to our plant, as well as a provision for receivables amounting to \$10.7 million.

The Group recorded a relatively low income tax expense for 1Q2014 due to the non-taxable nature of its gain on disposal during the quarter.



8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased from \$882.6 million as at 31 December 2013 to \$1,197.6 million as at 31 March 2014. In addition to net profit for the period, the issue of capital securities amounting to \$300.0 million in January 2014 had contributed to the equity base of the Group. The overall increase was offset by both marked-to-market effect of interest rate swaps relating to the Group's floating rate loan as well as dividend payable declared for CPS.

Current assets increased from \$620.9 million as at 31 December 2013 to \$824.5 million as at 31 March 2014 mainly contributed by the net proceeds from the issue of capital securities. Non-current assets increased from \$1,775.6 million as at 31 December 2013 to \$1,824.7 million as at 31 March 2014, mainly from the Group's continuing investments in service concession projects.

The Group reported an increase in current liabilities from \$359.9 million as at 31 December 2013 to \$432.1 million as at 31 March 2014 mainly due to reclassification of one of its fixed-rate unsecured notes that will become payable in March 2015. Non-current liabilities recorded a corresponding decrease from \$1,150.4 million as at 31 December 2013 to \$1,015.9 million as at 31 March 2014 due to the reclassification as well as repayment in borrowings during the period. Included in the balances as at 31 March 2014 was \$418.9 million of fixed-rate unsecured notes issued under the Group's Multicurrency Debt Issuance Programme that mature between 2016 and 2019.

The Group's net gearing ratio stood at 0.62 times as at 31 March 2014.

8(b)(ii) The Company

The Company's shareholders' equity increased from \$675.4 million as at 31 December 2013 to \$1,012.5 million as at 31 March 2014 mainly contributed by the issue of capital securities and divestment of Hyflux Marmon Development Pte Ltd that were offset by dividend declared for CPS during the period.

8(c) Statement of Cash flows

The Group's overall cash position increased from \$243.9 million as at 31 December 2013 to \$457.8 million as at 31 March 2014.

In 1Q2014, net cash of \$49.0 million was used in the Group's operating activities, mainly towards the Group's investments in projects with service concession arrangements. Excluding cash used in these projects, net cash from the Group's operating activities was \$13.7 million.

Cash generated from investing activities in 1Q2014 was largely contributed by proceeds from disposals of an associate and a joint venture, offset by capital expenditure in support of the Group's activities and investment into an existing associate. In 1Q2014, the Group injected additional capital amounting to \$8.6 million into Tahlyat Myah Magtaa SPA (TMM), its 47% associate. The injection did not result in change to its shareholdings as at 31 March 2014.

Cash generated from the Group's financing activities in 1Q2014 was mainly from net proceeds from the issue of perpetual capital securities, offset by 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 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.

The Group anticipates a slow year ahead due to timing of project commencement and the delay in the operational readiness of the national power grid to connect to our Tuaspring plant. The Group will continue to focus on achieving financial close for its 336,000m³/day desalination project in Dahej within this year.

The Group continues to manage its asset portfolio to extract potential value, in line with its asset recycling strategy.

The outlook for the global water industry is positive, and we see more projects being made available for bidding over the next 12 months. The Group is actively pursuing prospective projects in selective markets in the Middle East, Africa and Asia and on delivering a suite of membrane products and systems for new applications for the industrial and municipal sectors.

11. Dividend

(a) Current financial period reported on.

Any dividend recommended for the current financial period reported on?

Yes.

In February 2014, 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 2013 to (but excluding) 25 April 2014 (being the relevant dividend period). The said preference dividend of \$11,967,104 was paid on 25 April 2014.

(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 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.

(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 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
8 May 2014