Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

HYFLUX LTD
Registration number : 200002722Z

First Quarter Financial Statements – 2006 - AMENDED

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	1 Jan 06 to 31 Mar 06 $'000	1 Jan 05 to 31 Mar 05 $'000	+ / (-) %
Revenue	**33,680**	**24,243**	**39%**
Raw materials and consumables	(11,812)	(10,583)	12%
Personnel expenses	(5,364)	(2,146)	150%
Other operating expenses	(2,752)	(1,690)	63%
Depreciation and amortisation	(976)	(924)	6%
Other (expenses) / income	(1,045)	647	NM
Cost of share-based payments	(1,151)	(384)	200%
Gain on sale of shares in a subsidiary and an associate	1,907	-	NM
Financial expenses – net	(569)	(3)	NM
Fair value gain on financial instruments (unrealised)	145	5,547	(97%)
Share of results of associates	(929)	-	NM
Profit before taxation	**11,134**	**14,707**	(24%)
Tax expense	(1,383)	10	NM
Profit after taxation	**9,751**	**14,717**	(34%)
Attributable to:			
Shareholders of the Company	9,592	8,977	7%
Minority interests	159	5,740	(97%)
	9,751	**14,717**	(34%)

Notes: Numbers in all tables may not exactly add due to rounding

NM: Not meaningful

Footnote 1:

Gain on sale of shares in a subsidiary and an associate is arrived as follows :-

	$'000
Sale proceeds	12,201
Less:	
Investment disposed	(10,000)
Post-acquisition profits of investment disposed	(33)
	2,168
Exchange difference due to disposal	(161)
Legal and other professional fees incurred to divest	(100)
Gain on sale of shares in a subsidiary and an associate	**1,907**

Footnote 2:

Profit after tax (excluding fair value gains) attributable to shareholders : -

	1 Jan 06 to 31 Mar 06 $'000	1 Jan 05 to 31 Mar 05 $'000	+/(-) %
Profit after tax	9,751	14,717	(34%)
Less :			
Fair value gain on financial instruments (unrealised)	(145)	(5,547)	(97%)
Minority Interest	(159)	(5,740)	(97%)
Profit after tax attributable to shareholders	**9,447**	**3,430**	**175%**

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group 31 Mar 06 $'000	Group 31 Dec 05 $'000	Company 31 Mar 06 $'000	Company 31 Dec 05 $'000
NON-CURRENT ASSETS				
Property, plant and equipment	6,564	106,608	1,841	1,264
Investment in subsidiaries	-	-	53,835	56,618
Investment in joint ventures	4,060	-	33,985	22,538
Investment in associates	3,444	11,494	899	8,812
Long-term investments	8,076	5,188	-	-
Intangible assets	21,380	21,050	1,921	1,921
Lease receivable	99,870	-	-	-
Total non-current assets	143,394	144,340	92,481	91,153
CURRENT ASSETS				
Cash and fixed deposits	59,583	96,412	29,836	52,777
Short-term investment	-	2,000	-	2,000
Trade receivables	42,860	31,072	69	227
Lease receivables, current	639	-	-	-
Gross amounts due for contract work	50,841	43,859	11,552	12,095
Other receivables, deposits and prepayments	19,331	17,621	1,523	1,084
Inventories	9,591	11,069	5,947	5,073
Due from related parties	23,441	27,687	32,760	26,657
Short-term loans	11,875	9,732	4,330	870
Derivative financial instruments	7,759	6,568	305	1
Proceeds receivables from sale of a subsidiary and an associate	12,201	-	12,201	-
Total current assets	238,121	246,020	98,523	100,784
CURRENT LIABILITIES				
Trade payables	34,909	51,681	2,000	1,876
Advance from customers	10,423	8,400	6,285	6,437
Other payables and accruals	8,836	15,972	3,287	4,045
Tax payable	2,733	2,698	80	(3)
Derivative financial instruments	3,639	5,465	-	73
Deferred income	2,123	1,609	-	-
Interest bearing loans and borrowings	32,654	1,641	30,902	385
Total current liabilities	95,317	87,466	42,554	12,813
Net current assets	142,804	158,554	55,969	87,971
NON-CURRENT LIABILITIES				
Deferred tax liabilities	1,077	288	-	-
Interest bearing loans and borrowings	77,577	105,437	-	30,902
Total non-current liabilities	78,654	105,725	-	30,902
Net assets	207,544	197,169	148,450	148,222

	Group 31 Mar 06 $'000	Group 31 Dec 05 $'000	Company 31 Mar 06 $'000	Company 31 Dec 05 $'000
EQUITY				
Issued share capital	89,542	25,728	89,542	25,728
Share premium	-	62,693	-	62,693
Capital reserve	987	987	-	-
Foreign currency translation reserve	(2,605)	(617)	-	-
Hedging reserve	(3,593)	(7,143)	611	379
Employee share option reserve	4,003	2,852	4,003	2,852
Revenue reserve	114,538	104,946	54,294	56,570
Shareholders' equity	202,872	189,446	148,450	148,222
Minority interests	4,672	7,723	-	-
Total equity and minority interests	207,544	197,169	148,450	148,222

Notes: Numbers in all tables may not exactly add due to rounding

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/2006 $'000		As at 31/12/2005 $'000	
Secured	Unsecured	Secured	Unsecured
1,752	30,902	1,256	385

Amount repayable after one year

As at 31/03/2006 $'000		As at 31/12/2005 $'000	
Secured	Unsecured	Secured	Unsecured
77,577	-	74,535	30,902

Details of any collateral

The secured loans were secured on the property, plant and equipment of SingSpring Pte Ltd.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	1 Jan 06 to 31 Mar 06 $'000	1 Jan 05 to 31 Mar 05 $'000	+ / (-) %
Cash Flows from operating activities			
Profit before taxation	11,134	14,707	
Adjustments for:			
Cost of share-based payment	1,151	384	
Fair value gain on financial instruments (unrealised)	(145)	(5,547)	
Gain on sale of shares in investment	(1,907)	-	
Gain on sale of property, plant and equipment	(1)	(11)	
Share of results of associate	929	-	
Depreciation and amortization	976	924	
Interest expense	2,138	378	
Interest income	(1,569)	(374)	
Government grants	-	(61)	
Operating cash flows before working capital changes	12,706	10,400	22%
Inventories	1,478	(502)	
Gross amounts due for contract work	(12,485)	(24,174)	
Trade receivables	(11,411)	655	
Other receivables, deposits and prepayments	(1,871)	(1,609)	
Due from related parties	4,213	-	
Trade payables	(5,843)	(7,864)	
Other payables and accruals	(3,743)	3,035	
Advances from customers	4,085	252	
Deferred income	514	2,536	
Total working capital changes	(25,063)	(27,671)	(9%)
Cash used in operations	(12,357)	(17,271)	
Tax paid	(48)	(55)	
Net cash used in operating activities	**(12,405)**	**(17,326)**	**(28%)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,104)	(14,584)	
Acquisition of intangible assets	(967)	(752)	
Disposal of shares in a subsidiary (Refer to footnote 3 in page 7)	(16,722)	-	
Proceeds from disposal of property, plant and equipment	-	108	
Long term investments	(2,888)	(1,819)	
Short term investments	2,000	2,013	
Investment in joint ventures	(4,060)	-	
Interest received	664	374	
Government grants received	-	61	
Net cash used in investing activities	**(23,077)**	**(14,599)**	**58%**

	1 Jan 06 to 31 Mar 06 $'000	1 Jan 05 to 31 Mar 05 $'000	+/ (-) %
Cash flows from financing activities			
Proceeds from issue of new shares	1,121	503	
(Repayment of) / proceeds from short term loans	(2,143)	85	
Proceeds from long term loans	3,153	24,058	
Net interest paid	(2,138)	(378)	
Interest received from derivatives	905	-	
Net cash generated from financing activities	**898**	**24,268**	**(96%)**
Net decrease in cash and cash equivalents	**(34,584)**	**(7,657)**	**352%**
Cash and cash equivalents at beginning of the year	96,412	61,282	
Effect of exchange rate changes	(2,245)	54	
Cash and cash equivalents at end of the period	**59,583**	**53,679**	**11%**

Notes: Numbers in all tables may not exactly add due to rounding

Footnote 3:
Cash flow from disposal of shares in a subsidiary is arrived as follows:-

	$'000
Net assets sold :	
Current assets	22,704
Non-current assets	302
Current liabilities	(16,981)
Translation reserve	91
Minority interest	(3,044)
Net assets sold	3,072
Loss on disposal	(386)
Cash proceeds from sale	2,686
Less: Sale proceeds receivable	(2,686)
Less: Cash of subsidiary	(16,722)
Net cash outflow on sale	(16,722)

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 rising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Attributable to shareholders of the Company									
	Issued share capital	Share premium	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Revenue reserve	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
<u>Group</u>										
At 1.1.2006	25,728	62,693	987	(617)	(7,143)	2,852	104,946	189,446	7,723	197,169
Effects of Companies (Amendment) Act 2005	62,693	(62,693)	-	-	-	-	-	-	-	-
Issue of shares for cash	1,121	-	-	-	-	-	-	1,121	-	1,121
Fair value gain of derivative financial instruments	-	-	-	-	3,550	-	-	3,550	-	3,550
Reduction of MI due to disposal of subsidiary	-	-	-	-	-	-	-	-	(3,044)	(3,044)
Foreign currency translation differences	-	-	-	(1,988)	-	-	-	(1,988)	(166)	(2,154)
Cost of share-based payment	-	-	-	-	-	1,151	-	1,151	-	1,151
Net profit for the period	-	-	-	-	-	-	9,592	9,592	159	9,751
Balance at 31 March 2006	89,542	-	987	(2,605)	(3,593)	4,003	114,538	202,872	4,672	207,544

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Revenue reserve	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
<u>**Group**</u>										
At 31.12.2004 as previously reported	15,784	33,626	834	(1,527)	-	-	63,930	112,647	3,375	116,022
Effect of adopting FRS 102	-	-	-	-	-	1,964	(1,964)	-	-	-
At 31.12.2004 as restated	15,784	33,626	834	(1,527)	-	1,964	61,966	112,647	3,375	116,022
Effect of adopting FRS 39	-	-	-	-	(16,651)	-	(129)	(16,780)	-	(16,780)
At 1.1.2005 as restated	15,784	33,626	834	(1,527)	(16,651)	1,964	61,837	95,867	3,375	99,242
Issue of shares for cash	28	476	-	-	-	-	-	504	-	504
Fair value gain of derivative financial instruments	-	-	-	-	4,427	-	-	4,427	-	4,427
Capital reserve arising on consolidation	-	-	126	-	-	-	-	126	-	126
Foreign currency translation differences	-	-	-	44	-	-	-	44	38	82
Cost of share-based payment	-	-	-	-	-	384	-	384	-	384
Net profit for the period	-	-	-	-	-	-	8,977	8,977	5,740	14,717
Balance at 31.3.2005	15,812	34,102	960	(1,483)	(12,224)	2,348	70,814	110,329	9,153	119,482

	Share capital $'000	Share premium $'000	Hedging reserve $'000	Employee share option reserve $'000	Revenue reserve $'000	Total equity $'000
<u>**Company**</u>						
At 1.1.2006	25,728	62,693	379	2,852	56,570	148,222
Effects of Companies (Amendment) Act 2005	62,693	(62,693)	-	-	-	-
Issue of shares for cash	1,121	-	-	-	-	1,121
Fair value gain of derivative financial instruments	-	-	232	-	-	232
Cost of share-based payment	-	-	-	1,151	-	1,151
Net loss for the period	-	-	-	-	(2,276)	(2,276)
At 31.3.2006	89,542	-	611	4,003	54,294	148,450
At 31.12.2004 as previously reported	15,784	33,626	-	-	39,114	88,524
Effect of adopting FRS 102		-	-	1,964	(1,964)	-
At 31.12.2004 as restated	15,784	33,626	-	1,964	37,150	88,524
Effect of adopting FRS 39		-	5	-	(1,395)	(1,390)
At 1.1.2005 as restated	15,784	33,626	5	1,964	35,755	87,134
Issue of shares for cash	28	476	-	-	-	504
Fair value gain of derivative financial instruments	-	-	3	-	-	3
Cost of share-based payment	-	-	-	384	-	384
Net loss for the period	-	-	-	-	(54)	(54)
At 31.3.2005	15,812	34,102	8	2,348	35,701	87,971

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

1. During the financial period, 1,006,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme").

2. For the three months ended 31 March 2006, 2,850,000 options were granted under the Scheme.

3. As at 31 Mar 2006, the number of outstanding and unexercised Options granted under the Scheme was 22,837,343 (31 Mar 2005: 16,220,935).

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

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 their most recently audited annual financial statements, except as set out in paragraph 5 below.

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

<u>INT FRS 104 - Determining Whether an Arrangement Contains a Lease</u>

This interpretation is effective for annual periods commencing on or after 1 January 2006. The Group has adopted Interpretation of Financial Reporting Standard 104 – Determing whether an arrangement contains a lease ("INT FRS 104") with effect from 1 January 2006. INT FRS 104 provides guidelines in the determination of whether an arrangement is a lease. This depends on the use of a specific asset and whether it conveys a right to use the asset by the counterparty and, if so, Financial Reporting Standard 17 ("FRS 17" - Leases), will apply.

SingSpring Pte Ltd ("SingSpring"), a joint venture, has signed a Water Purchase Agreement ("WPA") with Singapore's Public Utilities Board ("PUB") to supply treated water to PUB from a seawater desalination plant, which is developed, financed, designed, built, owned and operated by SingSpring. The supply arrangement is for a period of 20 years from December 2005. The plant is located on a piece of leasehold land which is under the name of SingSpring and the lease period is 30 years from January 2004. In accordance with the interpretation of FRS 17 and INT FRS 104, this arrangement contains a finance lease.

The impact of the change in accounting treatment to a finance lease for SingSpring is as follows:

1. Balance Sheet Impact
   Property, plant and equipment of the Group will be reduced by about S$100 million with a corresponding recognition of a lease receivable of the same amount. Accordingly, there is no change in the amount of total asset.

2. Income Statement Impact
   a) The total proceeds received from PUB will be recognised as follows:
      - Part of the proceeds will be for revenue
      - Part of the proceeds will be for reduction in lease receivables

   b) There will be no depreciation charge.

FRS 21 – The Effect of Changes In Foreign Exchange Rates

With effect from 1 January 2006, a subsidiary of the Group adopted US Dollars as the functional currency, in accordance with FRS 21 (revised), as US Dollars best reflects the economic substance of the underlying activities of the subsidiary.

The impact of the adoption of FRS 21(revised) is as follows :

1. Balance Sheet Impact
   Foreign currency translation reserve is reduced by S$1.2 million.

2. Income Statement Impact
   Unrealised exchange loss for the Group is reduced by S$1.2 million.

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

	Jan - Mar 2006 Cents	Jan - Mar 2005 Cents Restated
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average of 515,349,527 (31 Mar 2005: 474,151,923) ordinary shares in issue; and	1.86	1.89
On a fully diluted basis of 529,409,149 (31 Mar 2005: 487,001,704) shares	1.81	1.84

7. Net assets value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	31 Mar 2006 Cents	31 Dec 2005 Cents
Net assets value per ordinary share of:		
Group	39.5	36.8
Company	28.8	28.8

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

For the three months ended 31 March 2006

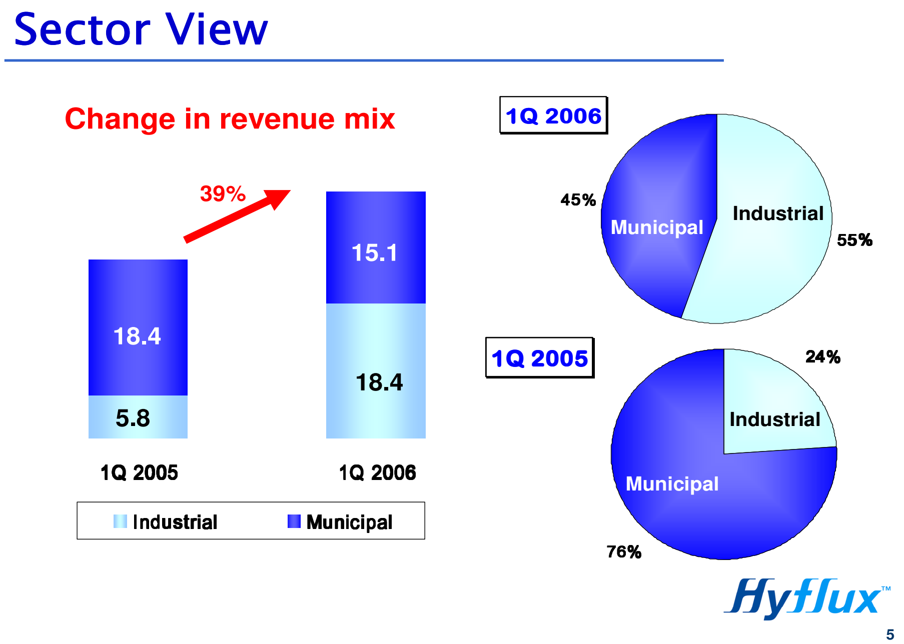
Income Statement

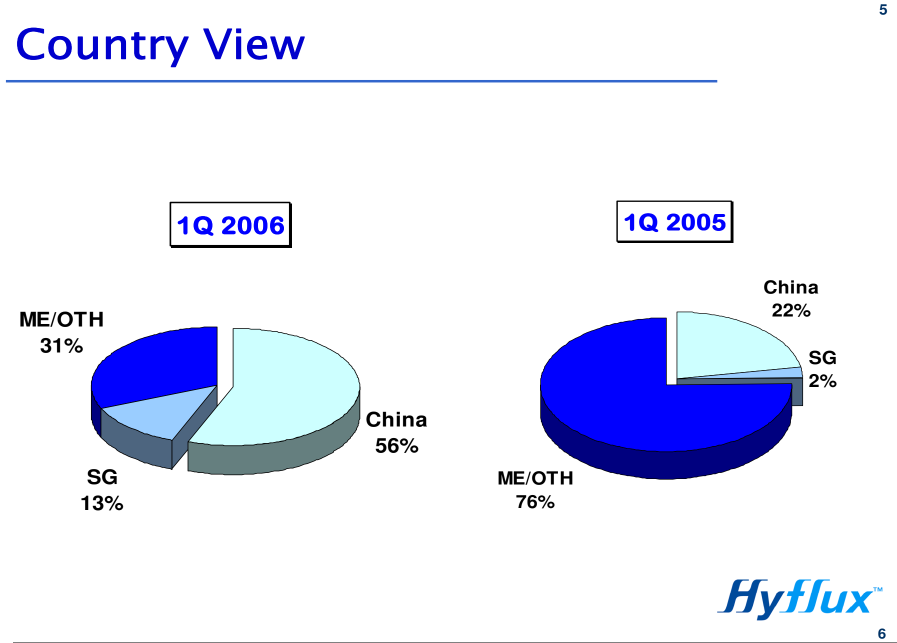
The Group's revenue rose by 39% to S$33.7 million while profit after tax attributable to shareholders grew 7% to S$9.6 million in 1Q06. Excluding the unrealised fair value gain, which accounting adjustment is expected to fluctuate on a quarter-to-quarter basis, profits attributable to shareholders for this quarter increased by 175% to S$9.4 million, compared to S$3.4 million in the previous corresponding period (see footnote 2 in page 2), in line with improved contributions from the core business of the Group.

Revenue

For the three months ended 31 March 2006, the Group's revenue increased by 39% to S$33.7 million, compared to S$24.2 million for the previous corresponding period. Industrial sales rose significantly by 217% to S$18.4 million from S$5.8 million mainly due to increase in demand from the bio-technology sector. Municipal sales decreased by 18% to S$15.1 million from S$18.4 million mainly due to lower revenue from the Middle East as the Group divested an equity stake in a subsidiary in the Middle East.

China accounted for 56% of total revenue for the current three months, from 22% in the previous corresponding period on the back of a strong pipeline of both industrial and municipal projects. As the SingSpring desalination plant is fully operational as of December 2005, contributions from Singapore increased to 13% of total revenue, from 2% for the previous three months when SingSpring was a wholly-owned subsidiary of the Group. In line with the restructuring of the investments in Middle East, Middle East/Others accounted for 31% of total revenue, down from 76% in 1Q FY2005.





Costs and Expenses

Raw materials and consumables increased by 12% to S$11.8 million from S$10.6 million in line with higher revenue. Personnel expenses rose by 150% to S$5.4 million from S$2.1 million due to the completion of design work for some of the projects and the increase in headcount by 155 as compared to last year. This increase in staff strength was investments in human capital required to support the growth of the business, in research and development, in developing new markets such as India and Middle East and North Africa region, in growing our existing markets and in enhancing our project execution capabilities. Other operating expenses rose by 63% to S$2.8 million in line with the higher revenue and development costs for new markets and projects. Overall, the increase in costs and expenses was in line with higher revenue and the Group's efforts in expanding into growth markets to build on longer term future earnings.

Other expenses of S$1.0 million comprised mainly unrealised exchange loss arising from the weakening of US dollar.

Cost of share-based payment increased by 200% to S$1.2 million from S$0.4 million compared to the corresponding quarter last year.

The restructuring of the venture in the Middle East resulted in a gain on sale of investments of S$1.9 million, representing about 20% returns on the original cost of investments.

Fair value gain on financial instruments (unrealised) was S$0.1 million compared to S$5.5 million last year. In accordance to FRS 39, effective 1 January 2005, the unrealised fair value gain on the commodity swap relating to SingSpring in 1Q FY2005 does not qualify for hedge accounting. Accordingly, the full amount of the unrealised fair value gain of approximately S$5.5 million was charged to profit and loss account. Since the SingSpring seawater desalination plant is operational in December 2005, the unrealised fair value adjustment relating to the commodity swap qualifies for hedge accounting, hence 50% of about S$2.1 million unrealised fair value gain in 1Q06 was brought to hedging reserve in the Balance Sheet.

Profit After Taxation

Profit after taxation decreased by 34% to S$9.8 million, from S$14.7 million largely due to the unrealised fair value gain of S$5.5 million in 1Q2005, higher income tax expense of S$1.4 million which arose from the provision for deferred tax liability relating to unrealised fair value gain on financial instruments and share of results of associates in Middle East.

Minority interest have decreased due to the divestment of a subsidiary in the Middle East.

Overall, profits attributable to shareholders increased by 7% to S$9.6 million from S$9.0 million. Excluding the unrealised fair value gain, for which accounting adjustment is expected to fluctuate on a quarter-to-quarter basis, profits attributable to shareholders for this quarter increased by 175% to S$9.4 million, compared to S$3.4 million in the previous corresponding period (see footnote 2 in page 2), in line with improved contributions from the core business of the Group.

Basic Earnings Per Share

Basic earnings per share was lower by 2% to 1.86 cents compared to 1.89 cents a year ago. The decrease in basic earnings per share was due to more shares issued this year (31 March 2006: 515,349,527 shares, 31 March 2005: 474,151,923) ordinary shares.

Balance Sheet - Group

Non-Current Assets

With the adoption of INT FRS 104, the arrangement between SingSpring Pte Ltd ("SingSpring") and Public Utilities Board to supply treated water for 20 years, is now treated as a finance lease. As such, the property, plant and equipment of SingSpring of about S$100 million is reclassified to lease receivable (please see Note 5). The divestment of 44% equity stake in an associate in Middle East resulted in lower investment in associate which was partially offset by additional investments during the quarter. Overall, non-current assets was at S$143.4 million, no significant change from last year.

Working Capital

Total current assets reduced by 3% to S$238.1 million from S$246.0 million mainly due to lower cash and fixed deposits by S$36.8 million and lower amounts due from related parties of S$4.2 million. This was partially offset by sales proceeds receivable from the divestment of investments in the Middle East of S$12.2 million, higher trade receivables of S$11.8 million and higher amounts due from customers for contract work of S$7.0 million.

Total current liabilities increased by 9% to S$95.3 million from S$87.5 million mainly due to S$31.0 million of interest bearing loans reclassified from long term liabilities and higher advances from customers of S$4.1 million, partially offset by lower trade payables, other payables and accruals of about S$26.0 million.

Overall, working capital decreased by 10% to S$142.8 million from S$158.6 million.

Non-Current Liabilities
Non-current liabilities decreased by 25% to S$78.7 million from S$105.7 million, corresponded to the increase in loans under current liabilities, partially offset by increase in provision for deferred tax liabilities.

Shareholders' Equity
Shareholders' equity increased by S$13.4 million or 7% to S$202.9 million from S$189.4 million as of 31 December 2005 mainly resulting from net profit for the quarter of S$9.6 million. Under the Companies (Amendment) Act 2005 effective 30 January 2006, the concepts of par value and authorised share capital are abolished and the amount in the share premium account as of 30 January 2006 becomes part of the Group's and the Company's share capital.

Minority Interest
Minority interest decreased by 40% to S$4.7 millon mainly due to the divestment of a subsidiary in Middle East.

Debt to Equity Ratio
The net debt to equity ratio for the Group increased to 0.24 as of March 2006 from 0.05 as of December 2005 due to lower cash balances. Excluding the project finance loan, the Group was in a net cash position.

Balance Sheet - Company

Shareholders' equity for the Company increased marginally to S$148.4 million mainly due to issuance of shares under the Employee Shares Option Scheme.

Non current assets increased marginally by 1% to S$92.5 million from S$91.1 million largely due to higher investment in joint venture of S$11.4 million, partially offset by divestment of equity stake in Middle East ventures.

Decrease in net current assets and non current liabilities of S$30.9 million mainly arose from the reclassification of the term loan facility from non-current liabilities to current liabilities.

Cashflow Statement

The Group's cash position as of 31 March 2006 was S$59.6 million, up by S$5.9 million compared to a year ago.

Net cash used in operations decreased by 28% to S$12.4 million compared to S$17.3 million last year, a result of lower working capital funding. Cash used in investing activities increased by 58% to S$23.1 million mainly due to additional investments and disposal of shares in investments in Middle East. This was partially offset by lower capital expenditure after the completion of Tuas desalination plant in 3Q 2005.

Cash generated from financing activities decreased by S$23.4 million to S$0.9 million, mainly due to lower proceeds from long term loans.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group results are in line with its target growth of average CAGR of 30% over 5 year period from 2003-2008.

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

While the Group is focused on executing existing projects in China, it continues its ongoing efforts to expand markets in China and the Middle East and to develop new markets in the region such as India and North Africa.

A survey conducted by National Development Reformative Committee ("NDRC") in China on tariff prices concluded that water tariff prices have increased at a rate of 10% per annum over the last three years. According to the survey, with the acute water shortage and pollution problems in China, the trend of increasing water tariff price is expected to continue. The Group is well poised to tap on the growing opportunities in BOO/TOT (Transfer-Operate-Transfer) water projects and the trend of increasing tariff price in China.

The Group will continue to focus on developing BOO/BOT projects to build on long term recurring income stream to stabilise its project-based revenue. In the pipeline are several projects under development in China, India and the Middle East and North Africa ("MENA") region.

On funding, as the Group is still in a net cash position (excluding limited recourse project finance debt), the Group will adopt a three-pronged approach. The Group will be looking at leveraging on the debt market to optimise its capital structure while continue its efforts to look for investors for the BOO/BOT projects. At an appropriate time, the plan is to securitize these projects to unlock their values and to release capital for deployment in the Group's business.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?
None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable

BY ORDER OF THE BOARD

Grace Goh
Company Secretary
10 May 2006