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

Third Quarter Financial Statements

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 05 to 30 Sep $'000	1 Jan 04 to 30 Sep $'000 restated	+/ (-) %	1 Jul 05 to 30 Sep $'000	1 Jul 04 to 30 Sep $'000 restated	+/ (-) %
Revenue	93,550	50,766	84%	50,480	20,805	143%
Other operating income/ (expense)	1,426	300	375%	47	(142)	NM
Raw and consumable materials	(45,306)	(19,471)	133%	(30,475)	(7,709)	295%
Personnel expenses	(9,088)	(6,480)	40%	(4,546)	(2,926)	55%
Cost of share-based payment	(1,426)	(484)	195%	(719)	(176)	309%
Depreciation and amortisation	(3,083)	(2,469)	25%	(1,099)	(783)	40%
Other operating expenses	(11,131)	(4,379)	154%	(7,998)	(1,861)	330%
Profit before unrealised profit from associates	**24,942**	**17,783**	**40%**	**5,690**	**7,208**	**(21%)**
Unrealised profit from associates	(4,123)	-	NM	(642)	-	NM
Profit from operations	**20,819**	**17,783**	17%	**5,048**	**7,208**	(30%)
Gain on sale of property, plant and equipment	8,367	-	NM	(135)	-	NM
Gain on sale of shares in a subsidiary	4,474	-	NM	4,474	-	NM
Financial expenses – net	(339)	(205)	65%	(254)	(73)	248%
Fair value gain of financial instruments	12,716	-	NM	4,036	-	NM
Profit before share of results of associates	**46,037**	**17,578**	162%	**13,169**	**7,135**	85%
Share of results of associates	(65)	-	NM	(65)	-	NM
Profit before taxation and minority interests	**45,972**	**17,578**	162%	**13,104**	**7,135**	84%
Taxation	(1,231)	(601)	105%	(211)	(215)	(2%)
Net profit for the period	**44,741**	**16,977**	164%	**12,893**	**6,920**	86%
Attributable to:						
Equity holders of the Company	36,642	15,536	136%	13,640	6,483	111%
Minority interest	8,099	1,441	462%	(747)	437	NM
Net profit for the period	**44,741**	**16,977**	164%	**12,893**	**6,920**	86%

Notes: Figures for prior periods have been restated to reflect the adoption of new and revised accounting standards (see paragraph 5 below)

NM: Not meaningful

Footnote:
1) Gain on sale of shares in a subsidiary is arrived as follows :-

	$'000
Sale proceeds	30,000
Less:	
Cost of investment	(20,000)
Legal fees incurred to divest	(876)
	9,124
Less:	
Share of fair value gain in financial instruments	(4,650)
Gain on sale of shares in a subsidiary	**4,474**

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	Group	Company	Company
	30 Sep 05 $'000	**31 Dec 04 $'000 restated**	**30 Sep 05 $'000**	**31 Dec 04 $'000 restated**
SHARE CAPITAL AND RESERVES				
Share capital	25,566	15,784	25,566	15,784
Share premium	60,963	33,626	60,963	33,626
Capital reserve	987	834	-	-
Translation reserve	(418)	(1,527)	-	-
Fair value reserve	(7,045)	-	148	-
Employee share option reserve	2,239	813	2,239	813
Revenue reserve	95,312	63,117	39,049	38,301
Shareholders' equity	177,604	112,647	127,965	88,524
Minority interests	13,967	3,375	-	-
Total equity and minority interests	191,571	116,022	127,965	88,524
NON-CURRENT ASSETS				
Property, plant and equipment	15,729	26,450	969	1,470
Constructions-in-progress	77,280	102,599	196	113
Investment in subsidiaries	-	-	32,492	26,099
Investment in associates	9,270	-	8,812	-
Long-term investments	5,126	3,531	-	-
Intangible assets	19,054	14,543	2,005	1,909
Due from related companies (non-trade)	-	-	20,071	34,447
Total non-current assets	126,459	147,123	64,545	64,038
CURRENT ASSETS				
Cash and bank balances	9,937	5,212	302	134
Fixed deposits	96,499	56,069	65,999	156
Notes receivable	932	682	-	-
Trade receivables	23,995	32,144	528	13,328
Other receivables, deposits and prepayments	18,331	17,336	789	403
Fair value receivables	8,533	-	3	-
Inventories	9,374	5,147	3,895	1,770
Contracts work-in-progress	57,703	34,413	-	-
Short-term investment	2,000	2,013	2,000	-
Short-term loan	10,420	4,908	-	-
Due from related companies (trade)	20,098	-	14,373	-
Due from related companies (non-trade)	-	-	12,539	13,520
Total current assets	257,822	157,924	100,428	29,311

	Group	Group	Company	Company
	30 Sep 05	**31 Dec 04**	**30 Sep 05**	**31 Dec 04**
	$'000	**$'000**	**$'000**	**$'000**
		restated		**restated**
CURRENT LIABILITIES				
Trade payables and accruals	50,153	34,656	1,956	2,042
Other payables and accruals	8,540	7,940	202	857
Advance from customers	9,987	1,240	2,059	3
Provision for income tax	2,651	1,517	(3)	-
Provision for warranty	50	50	-	-
Fair value provision	7,642	-	449	-
Deferred income	4,123	-	-	-
Short-term loans	1,136	2,405	-	-
Long-term loans, current	1,443	1,538	1,443	1,538
Total current liabilities	85,725	49,346	6,106	4,440
Net current assets	172,097	108,578	94,322	24,871
NON-CURRENT LIABILITIES				
Deferred tax liabilities	289	288	-	-
Long-term loans, non-current	106,696	139,391	30,902	385
Total non-current liabilities	106,985	139,679	30,902	385
Net assets	191,571	116,022	127,965	88,524

Notes: Figures for prior periods have been restated to reflect the adoption of new and revised accounting standards (see paragraph 5 below)

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

Amount repayable in one year or less, or on demand

As at 30/9/2005 $'000		As at 31/12/2004 $'000	
Secured	Unsecured	Secured	Unsecured
-	2,579	-	3,943

Amount repayable after one year

As at 30/9/2005 $'000		As at 31/12/2004 $'000	
Secured	Unsecured	Secured	Unsecured
75,791	30,905	139,006	385

Details of any collateral

The secured loans were secured on the construction-in-progress 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 05 to 30 Sep $'000	1 Jan 04 to 30 Sep 04 $'000 restated	+/ (-) %	1 Jul 05 to 30 Sep 05 $'000	1 Jul 04 to 30 Sep $'000 restated	+/ (-) %
Cash Flows from operating activities						
Profit before taxation	45,972	17,578		13,104	7,135	
Adjustments:						
Unrealised profit from associates	4,123	-		642	-	
Cost of share-based payment	1,426	484		719	176	
Fair value gain of financial instruments	(12,716)	-		(4,036)	-	
Gain on sale of shares in a subsidiary	(4,474)	-		(4,474)	-	
(Gain)/loss on sale property, plant and equipment	(8,367)	-		135	-	
Loss on disposal of associate	-	119		-	-	
Share of results of associates	65	-		65	-	
Amortisation of intangible assets	542	730		196	238	
Depreciation of property, plant and equipment	2,541	1,739		903	545	
Interest expense	1,767	458		799	200	
Interest income	(1,428)	(253)		(545)	(127)	
Grants	(130)	-		-	-	
Operating cash flows before working capital changes	29,321	20,855	41%	7,508	8,167	(8%)
Inventories	(4,227)	1,118		(171)	(623)	
Contracts work-in-progress	(23,289)	(9,464)		(9,357)	(6,017)	
Trade receivables	8,149	(2,783)		12,693	(2,200)	
Other receivables, deposits and prepayments	(2,026)	(10,466)		12,337	(4,411)	
Fair value - receivables	-	-		(38)	-	
Due from related companies (trade)	(20,098)	-		(20,098)	-	
Trade payables and accruals	15,559	529		17,978	1,230	
Other payables and accruals	1,416	505		4,579	1,171	
Advance from customers	8,747	-		7,776	-	
Trust Receipts	(250)	-		(19)	(1,350)	
Total working capital changes	(16,019)	(20,561)	(22%)	25,680	(12,200)	NM
Cash generated from/ (used in) operations	13,302	294		33,188	(4,033)	
Interest paid	(1,767)	(458)		(799)	(200)	
Income tax paid	(97)	(14)		(3)	(2)	
Net cash generated from/ (used in) operations	**11,438**	**(178)**	**NM**	**32,386**	**(4,235)**	**NM**
Cash flows from investing activities						
Purchase of property, plant and equipment	(2,616)	(12,455)		(1,048)	(2,458)	
Construction in progress	(65,013)	(48,394)		(22,094)	(17,305)	
Acquisition of intangible assets	(4,085)	(5,458)		(2,671)	(2,314)	
Proceeds from sale of shares in a subsidiary	29,109	-		29,109	-	
Proceeds from sale of property, plant and equipment	19,162	88		1	-	
Long-term investments	(1,595)	-		-	-	
Short-term investments	13	-		-	-	
Investment in associates	(9,334)	-		-	-	
Interest received	1,428	253		545	127	
Government grants received	130	-		-	-	
Net cash (used in)/ generated from investing activities	**(32,801)**	**(65,966)**	**(50%)**	**3,842**	**(21,950)**	**NM**

	1 Jan 05 to 30 Sep 05 $'000	1 Jan 04 to 30 Sep 04 $'000 restated	+/ (-) %	1 Jul 05 to 30 Sep 05 $'000	1 Jul 04 to 30 Sep $'000 restated	+/ (-) %
Cash flows from financing activities						
Proceeds from issue of new shares	37,119	944		617	520	
Payments of dividends	(4,318)	(1,753)		-	-	
Minority interest's contribution	2,241	755		2,241	-	
Payment of hire purchase obligations	-	(32)		-	-	
Payment of finance lease obligations	-	(9)		-	(2)	
Payment of short term loans	(6,535)	(243)		(7,014)	(13,180)	
Proceeds/ (payments) from long term loans	37,463	76,287		3,460	(285)	
Net cash generated from/ (used in) financing activities	**65,970**	**75,949**	**(13%)**	**(696)**	**(12,947)**	**(95%)**
Net increase/ (decrease) in cash and cash equivalents	**44,607**	**9,805**	**355%**	**35,532**	**(39,132)**	**NM**
Cash and cash equivalents at beginning of the period	**61,282**	**31,894**		**70,307**	**80,869**	
Effect of exchange rate changes	547	(139)		597	(177)	
Cash and cash equivalents at end of the period	**106,436**	**41,560**	**156%**	**106,436**	**41,560**	**156%**

Notes: Figures for prior periods have been restated to reflect the adoption of new and revised accounting standards (see note 5)

Footnote:

Proceeds from sale of shares in a subsidiary is arrived as follows:-

	S$'000
Current assets	5,696
Non-current assets	90,334
Current liabilities	(9,853)
Non-current liabilities	(90,254)
Fair value reserves	8,727
Assignment of shareholders loan	20,000
Net assets disposed	24,650
Gain on sale of shares in subsidiary	4,474
Professional fees incurred	876
Cash proceeds from sale	30,000
Less: cash in subsidiary	(15)
Less: professional fees incurred	(876)
Net cash inflow on disposal	**29,109**

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									
	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share	Revenue reserve	Total	Minority Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Balance at 1 January 2005										
As previously reported	15,784	33,626	834	(1,527)	-	-	63,930	112,647	3,375	116,022
Effect of adopting FRS 102	-	-	-	-	-	813	(813)	-	-	-
Restated	15,784	33,626	834	(1,527)		813	63,117	112,647	3,375	116,022
On adoption of FRS 39 at 1 January 2005	-	-	-	-	(16,652)	-	(129)	(16,781)	-	(16,781)
Issue of shares for cash	1,274	35,845	-	-	-	-	-	37,119	-	37,119
Issue of bonus shares	8,508	(8,508)	-	-	-	-	-	-	-	-
Capital contribution by MI	-	-	-	-	-	-	-	-	2,241	2,241
Fair value gain of financial assets/ liabilities/ derivatives	-	-	-	-	9,607	-	-	9,607	-	9,607
Capital reserve arising on consolidation	-	-	153	-	-	-	-	153	(27)	126
Foreign currency translation differences	-	-	-	1,109	-	-	-	1,109	279	1,388
Cost of share-based payment	-	-	-	-	-	1,426	-	1,426	-	1,426
Net profit for the period	-	-	-	-	-	-	36,642	36,642	8,099	44,741
Dividends	-	-	-	-	-	-	(4,318)	(4,318)	-	(4,318)
Balance at 30 September 2005	25,566	60,963	987	(418)	(7,045)	2,239	95,312	177,604	13,967	191,571
Balance at 1 July 2005	17,015	68,898	960	(1,031)	(17,553)	1,520	81,672	151,481	12,318	163,799
Issue of shares for cash	43	573	-	-	-	-	-	616	-	616
Issue of bonus shares	8,508	(8,508)	-	-	-	-	-	-	-	-
Capital contribution by MI	-	-	-	-	-	-	-	-	2,241	2,241
Fair value gain of financial assets/ liabilities/ derivatives	-	-	-	-	10,508	-	-	10,508	-	10,508
Capital reserve arising on consolidation	-	-	27	-	-	-	-	27	(27)	-

	attributable to shareholders									
	Share capital	Share premium	Capital reserve	Translation reserve	Fair value reserve	Employee share	Revenue reserve	Total	Minority Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group (cont'd)										
Foreign currency translation differences	-	-	-	613	-	-	-	613	182	795
Cost of share-based payment	-	-	-	-	-	719	-	719	-	719
Net profit for the quarter	-	-	-	-	-	-	13,640	13,640	(747)	12,893
Balance at 30 September 2005	25,566	60,963	987	(418)	(7,045)	2,239	95,312	177,604	13,967	191,571
Balance at 1 January 2004										
As previously reported	15,624	31,606	-	(667)	-	-	38,916	85,479	1,055	86,534
Effect of adopting FRS 102		-	-	-	-	150	(150)	-	-	-
Restated	15,624	31,606	-	(667)	-	150	38,766	85,479	1,055	86,534
Issue of shares for cash	65	879	-	-	-	-	-	944	-	944
Foreign currency translation differences	-	-	-	(182)	-	-	-	(182)	728	546
Cost of share-based payment		-	-	-	-	484	-	484	-	484
Net profit for the period	-	-	-	-	-	-	15,536	15,536	1,441	16,977
Dividends	-	-	-	-	-	-	(1,753)	(1,753)	-	(1,753)
Balance at 30 September 2004	15,689	32,485	-	(849)	-	634	52,549	100,508	3,224	103,732
Balance at 1 July 2004	15,658	31,995	-	(670)	-	458	46,066	93,507	2,805	96,312
Issue of shares for cash	31	490	-	-	-	-	-	521	-	521
Foreign currency translation differences	-	-	-	(179)	-	-	-	(179)	(18)	(197)
Cost of share-based payment	-	-	-	-	-	176	-	176		176
Net profit for the quarter	-	-	-	-	-	-	6,483	6,483	437	6,920
Balance at 30 September 2004	15,689	32,485	-	(849)	-	634	52,549	100,508	3,224	103,732

	attributable to shareholders					
	Share capital	Share premium	Fair value reserve	Employee share option reserves	Revenue reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Balance at 1 January 2005						
As previously reported	15,784	33,626	-	-	39,114	88,524
Effect of adopting FRS 102	-	-	-	813	(813)	-
Restated	15,784	33,626		813	38,301	88,524
On adoption of FRS 39 at 1 January 2005	-	-	5	-	(1,395)	(1,390)
Issue of shares for cash	1,274	35,845	-	-	-	37,119
Issue of bonus shares	8,508	(8,508)	-	-	-	-
Fair value loss of financial assets/ liabilities/ derivatives	-	-	143	-	-	143
Cost of share-based payment	-	-	-	1,426	-	1,426
Net profit for the period	-	-	-	-	6,461	6,461
Dividends	-	-	-	-	(4,318)	(4,318)
Balance at 30 September 2005	25,566	60,963	148	2,239	39,049	127,965
Balance at 1 July 2005	17,015	68,898	(99)	1,520	31,173	118,507
Issue of shares for cash	43	573	-	-	-	616
Issue of bonus shares	8,508	(8,508)	-	-	-	-
Fair value gain of financial assets/ liabilities/ derivatives	-	-	247	-	-	247
Cost of share-based payment	-	-	-	719	-	719
Net profit for the quarter	-	-	-	-	7,876	7,876
Balance at 30 September 2005	25,566	60,963	148	2,239	39,049	127,965

	attributable to shareholders					
	Share capital	Share premium	Fair value reserve	Employee share option reserves	Revenue reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Balance at 1 January 2004						
As previously reported	15,624	31,606	-	-	31,155	78,385
Effect of adopting FRS 102	-	-	-	150	(150)	-
Restated	15,624	31,606	-	150	31,005	78,385
Issue of shares for cash	65	879	-	-	-	944
Cost of share-based payment	-	-	-	484	-	484
Net (loss) for the period	-	-	-	-	(2,740)	(2,740)
Dividends	-	-	-	-	(1,753)	(1,753)
Balance at 30 September 2004	15,689	32,485	-	634	26,512	75,320
Balance at 1 July 2004	15,658	31,995	-	458	27,848	75,959
Issue of shares for cash	31	490	-	-	-	521
Cost of share-based payment	-	-	-	176	-	176
Net (loss) for the quarter	-	-	-	-	(1,336)	(1,336)
Balance at 30 September 2004	15,689	32,485	-	634	26,512	75,320

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 period, 881,000 new ordinary shares of $0.05 each were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme").

2. As at 30 Sep 2005, the number of outstanding and unexercised Options granted under the Scheme was 25,316,759 (30 Sep 2004: 15,955,475).

3. During the period, there was a bonus share issue of 170,151,212 ordinary shares by capitalisation of share premium.

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.

In the consolidation of its accounts, the Group applies the following Financial Reporting Standards (FRS):-

<u>FRS 31 – Interests in Joint Ventures</u>
For Joint Ventures in which the Group has joint control, it adopts the proportionate consolidation method whereby the financial line items of profit and loss account and balance sheet of the Joint Venture are proportionately consolidated into its accounts. For transactions between the Group and the Joint Venture, the gain or loss of the transaction that is attributable to the Group is eliminated on consolidation. For example, in the case of SingSpring Pte Ltd, 50% of the revenue and profit from the EPC (engineering, procurement and construction) activity is recognised in the Group's account. The unrealised profit for the remaining 50% revenue is recognised over the estimated economic useful lives of SingSpring's assets or when the Group divests its equity stake in SingSpring.

<u>FRS 27 – Consolidated and Separate Financial Statements</u>
For entities in which the Group has majority control (ie. subsidiaries), all intercompany transactions and balances are fully eliminated on consolidation.

Where the Group undertakes EPC and O&M (operation and maintenance) for such a subsidiary, the EPC and O&M revenue will be fully eliminated on consolidation. The income from such subsidiary is fully consolidated into the Group's accounts and the unrealised profit from the EPC and O&M revenue are

recognised over the estimated economic useful lives of the assets or when the Group divests its equity stake in such subsidiary.

FRS 28 - Investments in Associates
For entities that the Group exercises significant influence (ie. associates), equity accounting is adopted such that profit and loss of the entity is equity accounted for into the Group's accounts.

Where the Group undertakes EPC and O&M for such an associate, the EPC and O&M revenue and profits are recognised into the Group's accounts. The unrealised profit attributable to the Group will be eliminated when applying equity accounting and recognised over the estimated useful lives of the assets of the associate or when the Group divests its equity stakes in the associate.

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

I Changes in accounting polices

The Group and the Company adopted various new and revised Financial Reporting Standards (FRS) which came into effect on 1 Jan 2005.. The FRS that have a material financial impact on the Group are disclosed below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
FRS 102 (revised 2004) Share-based Payment

II Description of changes

FRS 39 Financial Instruments: Recognition and Measurement

The impact of adopting FRS 39 is as follows:

1) the increase in fair value adjusted to profit and loss account of the Group for nine months and three months ended 30 September 2005 amounted to S$12.7 million and S$4.0 million respectively.
2) increase in fair value adjustments to equity of S$9.6 million for the nine months ended 30 September 2005, resulted in reduction in negative fair value reserves from S$16.7 million as of 1 January 2005 to S$7.0 million.

FRS 102, Share-based payment

The impact of adopting FRS 102 is as follows:
1) opening revenue reserve of the Group and Company for 1 Jan 2004 and 1 Jan 2005 have been restated by a reduction of S$150,000 and S$813,000 respectively
2) net profit of the Group and the Company for nine months ended 30 September 2005 and three months ended 30 September 2005 decreased by S$1.4 million and S$719,000 respectively.

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 - Sep 2005 cents	Jan - Sep 2004 cents restated	Jul-Sep 2005 cents	Jul – Sep 2004 cents restated
Earnings per ordinary share after deducting any provision for preference dividends were:				
Based on the weighted average of 498,408,906 (30 Sep 2004: 469,633,568) ordinary shares in issue; and	7.35	3.31	2.67	1.38
On a fully diluted basis of 516,257,104 (30 Sep 2004: 481,949,009) shares	7.10	3.22	2.58	1.34

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

	30 Sep 2005 cents	31 Dec 2004 cents	31 Dec 2004 cents restated
Net assets value per ordinary share of:			
Group	34.7	35.7	35.7
Company	25.0	28.0	28.0

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

Income Statement

For nine months ended 30 September

Group revenue grew 84% year on year to S$93.5 million while net profit grew 164% to S$44.7 million. Basic earnings per share increased by 122% to 7.35 cents.

The revenue growth was mainly driven by higher municipal sales from China, Singapore and the Middle East. Municipal sales comprised 64% of total revenue as compared to 3% last year. With the completion of divestment of 50% equity stake in SingSpring Pte Ltd in 3Q05, 50% of the remaining engineering, procurement and construction (EPC) revenue and cost for the SingSpring plant was recognised in 3Q05. Prior to the divestment, all revenue from the EPC work for the SingSpring project was eliminated on consolidation as SingSpring was then wholly owned by the Company. Industrial revenue amounted to S$32.5 million compared to S$42.3 million last year largely due to fewer industrial water projects in China, arising from a switch in focus to higher yield liquid process projects.

Raw materials and consumables increased by 133% to S$45.3 million in line with the higher revenue. To support the growth of the business, more resources were expended in research and development, in developing new markets such as India and the Middle East, in growing our existing markets and in enhancing our project execution capabilities. As a result, personnel expenses increased by 40% to S$9.1 million while other operating expenses rose by 154% to S$11.1 million. Depreciation and amortisation increased by 25% to S$3.1 million due to acquisition of property, plant and equipment and intangibles. Cost of share-based payment of S$1.4 million was a result of the application of FRS 102 with effect from 1 January 2005.

Profit before unrealised profit from associates increased by 40% to S$24.9 million. Operating profit margin before unrealised profit from associates was 27% compared to 35% last year mainly due to the sales mix and higher personnel and other operating expenses as explained above.

Unrealised profits from associates of S$4.1 million was related to the elimination of unrealised profit on EPC revenue which the Group recognised from the provision of such services to the associates.

At the Company level, the divestment of 50% equity stake in SingSpring resulted in a gain of S$9.1 million. At the Group level, the gain was S$4.5 million due to adjustments for 50% of fair value gain of financial derivatives. Gain on sale of property, plant and equipment of S$8.4 million was mainly related to the gain on sale of Hyflux Building. The application of FRS 39 with effect from 1 January 2005 resulted in a fair value gain of S$12.7 million for the period.

The effective income tax rate of about 3% for the Group is mainly due to tax exemption granted to some subsidiaries in China and the Company and zero corporate tax rate in the Middle East.

<u>For three months ended 30 September</u>

The Group's revenue for the quarter increased by 143% to S$50.5 million while net profit increased by 86% to S$12.9 million. Earnings per share improved by 93% to 2.67 cents compared to 1.38 cents last quarter.

The increase in revenue was largely due to higher municipal sales in China and Singapore which comprised 74% of the total revenue compared to 2% a year ago. With the divestment of 50% equity stake in SingSpring, the Group is now able to recognise 50% of the remaining EPC revenue in 3Q05. In line with higher revenue, raw and consumable materials increased by 295% to S$30.5 million.

Personnel expenses increased by 55% to S$4.5 million primarily due to additions in manpower for research and development and for the engineering and technical teams which are required for executing larger size projects and market development in expanding existing and developing new markets. Other operating expenses increased by 330% to S$8.0 million primarily due to the higher sales, higher developmental and marketing expenses to develop new and existing markets and professional fees. Depreciation and amortisation increased by 40% to S$1.1 million due to acquisition of property, plant and equipment and intangibles. Cost of share-based payment of S$0.7 million was the result of application of FRS 102 with effect from 1 January 2005. Profit from operation before unrealised profit from associates of S$5.7 million was lower by 21% mainly due to change in sales mix compared to last quarter coupled by higher personnel expenses, market development expenses and professional fess. Unrealised profits from associates of S$0.6 million was related to the elimination of unrealised profit on EPC revenue which the Group recognised from the provision of such services to the associates.

At the Company level, the divestment of 50% equity stake in SingSpring resulted in a gain of S$9.1 million. At the Group level, the gain was S$4.5 million due to adjustments for 50% of fair value gain of financial derivatives.

The application of FRS 39 with effect from 1 January 2005 resulted in a fair value gain of S$4.0 million for the quarter.

Balance Sheet

Group

Shareholders' equity increased by S$65.0 million to S$177.6 million mainly due to an increase in share capital and premium of S$37.1 million from issuance of new shares to Istithmar and net profit for the period of S$36.6 million, partially offset by dividend payout of S$4.3 million and fair value reserve adjustment of S$7.0 million. The adoption of FRS 39 in 2005 resulted in negative fair value adjustment of S$16.7 million as of 1 January 1005.

Non-current assets reduced by S$20.7 million mainly due to decrease in construction in progress by S$25.3 million of the SingSpring plant as a result of divestment of 50% equity stake in SingSpring, partially offset by increases in investment in associats of S$9.3 million, in intangible assets by S$4.5 million and in long-term investments by S$1.6 million.

Net current assets increased by S$63.5 million to S$172.1 million mainly due to increases in cash and fixed deposits of S$45.2 milion. Other changes in working capital were in line with higher revenue and the larger size projects undertaken by the Group. Deferred income of S$4.1 million represented unrealised profits on sales to associates in the Group accounts. These unrealised profits will be realised and credited to profit and loss account of the Group over the estimated economic useful lives of the underlying assets or when the Group divests its equity stake in the associates.

Long-term loans decreased by S$32.7 million mainly due to the divestment of SingSpring. This led to a reduction in net debt to equity ratio for the Group from 0.71 to 0.02. Excluding the project finance loan, the group was in a net cash position.

Company

Shareholders' equity for the Company increased by S$39.4 million to S$128.0 million mainly due to increases in share capital and premium of S$37.1 million from issuance of new shares to Istithmar and in revenue reserve of S$6.5 million, partially offset by dividend payment of S$4.3 million.

Non current assets increased slightly by S$0.5 milllion to S$64.5 million largely due to investments in subsidiaries and associates of S$15.2 million, offset by reduction in amounts due from related companies (non-trade) of S$14.4 million.

Increase in net current assets of S$69.5 million mainly arose from higher cash and fixed deposits of S$66.0 million and higher balances due from subsidiaries (trade) of S$14.4 million, partially offset by lower trade receivables of S$12.8 million.

Non current liabilities increased by S$30.5 million due to the draw down of a term loan facility.

Cashflow Statement

For the nine months ended 30 September

The Group's cash position strengthened to S$106.4 million, up by S$64.9 million compared to a year ago.

Net cash generated from operations increased to S$11.4 million as compared to cash used in operations of S$0.2 million last year. This was mainly due to increase in operating cash flows before working changes by 41% to S$29.3 million and a lower working capital requirement for the period, partially offset by higher interest expenses paid.

Cash used in investing activities decreased by 50% to S$32.8 million was mainly due to payments for the EPC work for SingSpring plant of S$65.0 milllion, investments in associates of S$9.3 million, long-term investment of S$1.6 million and acquisition of property, plant and equipment and intangibles, partially offset by proceeds from sale of Hyflux building and sale of 50% equity stake in SingSpring totaling around S$48.3 million

Cash generated from financing activities totaling S$66.0 million, decreased by 13% from last year and was funded from proceeds from issuance of new shares of S$37.1 million and drawdown of project finance loan of S$37.5 million, partially offset by dividend payment and repayment of short term loans.

For the three months ended 30 September

For the quarter, the Group's cash position improved by S$36.1 million to S$106.4 milion.

Net cash generated from operations increased to S$32.4 million largely due to higher revenue and improvement in working capital.

Cash generated from investing activities amounted to S$3.8 million was primarily from the sale of 50% equity stake in SingSpring, offset by payments for the EPC work for the SingSpring plant and acquisition of property, plant and equipment and intangibles.

Cash used in financing acitivities was for the repayment of short-term loans of S$7.0 million, partially offset by the 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 to date are in line with its target of another year of growth.

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, Singapore and Middle East, it continues its ongoing efforts to expand market in China and the Middle East and to develop new markets in the region such as India. Competition is expected to be strong but the Group will continue to sharpen its competitive edge and harness its track record and proven capabilities to meet such challenges.

As the Group expands its presence in China and the region, we will adopt an asset-light strategy by divesting our interest in the asset-intensive Build-Own-Operate/Transfer projects ("BOO/BOT") such that we are able to release financial resources as well as debt capacity to take on new projects and new markets. Examples of such asset-light strategy are the 50% divestment of SingSpring and the formation of SinoSpring with RB (Labuan) Berhad to invest in BOO/BOT projects in China.