HYFLUX LTD
Registration number : 200002722Z

Third Quarter Financial Statement – 2006

UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

1. GROUP PROFIT AND LOSS ACCOUNT
for the third quarter and nine months ended 30 September 2006

	Nine Months			Three Months		
	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %
Revenue	**100,616**	93,550	8%	**29,437**	50,480	(42%)
Raw materials and consumables	**(51,833)**	(51,829)	-	**(17,889)**	(33,517)	(47%)
Personnel expenses	**(15,158)**	(9,088)	67%	**(5,583)**	(4,546)	23%
Other operating expenses	**(10,369)**	(8,731)	19%	**(4,338)**	(5,598)	(23)%
Depreciation and amortisation	**(3,618)**	(3,083)	17%	**(1,275)**	(1,099)	16%
Other (expenses)/ income	**(2,608)**	1,426	NM	**504**	47	972%
Cost of share-based payment	**(2,475)**	(1,426)	74%	**(667)**	(719)	(7%)
Gain on sale of subsidiaries and an associate [Note 1(b)]	**1,655**	4,474	(63%)	**-**	4,474	(100%)
Gain/(loss) on sale of property, plant and equipment	**30**	8,367	(100%)	**11**	(135)	NM
Negative goodwill on acquisitions	**2,950**	-	100%	**2,950**	-	100%
Financial income	**1,394**	730	91%	**336**	288	17%
Financial expenses	**(3,787)**	(1,069)	254%	**(1,306)**	(542)	141%
Fair value gain / (loss) on financial instruments (unrealised)	**114**	12,716	(99%)	**(48)**	4,036	NM
Share of results of associates	**(998)**	(65)	NM	**(51)**	(65)	(22%)
Profit before taxation	**15,913**	45,972	(65%)	**2,081**	13,104	(84%)
Tax expense	**(2,525)**	(1,231)	105%	**(889)**	(211)	321%
Profit after taxation	**13,388**	44,741	(70%)	**1,192**	12,893	(91%)
Attributable to:						
Shareholders of the Company	**14,465**	36,642	(61%)	**1,880**	13,640	(86%)
Minority interests	(1,077)	8,099	NM	**(688)**	(747)	(8%)
	13,388	44,741	(70%)	**1,192**	12,893	(91%)

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

NM: Not meaningful

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1(a) Pre-tax profit of the Group is arrived at after charging / (crediting) the following : -

	Nine Months			Three Months		
	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %
Allowance for doubtful debts	**(1,224)**	-	100%	**-**	-	
Foreign exchange (loss) / gain (unrealised)	**(1,267)**	1,133	NM	**471**	338	39%
Foreign exchange (loss) / gain (realised)	**(327)**	(211)	55%	**202**	(480)	NM

1(b) Gain on sale of subsidiaries and an associate is arrived as follows: -

	Nine Months		Three Months	
	30 Sep 06 S$'000	30 Sep 05 S$'000	30 Sep 06 S$'000	30 Sep 05 S$'000
Sale proceeds	**12,201**	30,000	**-**	30,000
Less:			**-**	
Investment disposed	**(10,000)**	(20,000)	**-**	(20,000)
Post-acquisition profits of investment disposed	**(33)**	-	**-**	-
	2,168	10,000	**-**	10,000
Exchange difference	**(409)**	-	**-**	-
Share of fair value gain in financial instruments	**-**	(4,650)		(4,650)
Legal and other professional fees	**(104)**	(876)	**-**	(876)
Gain on sale of a subsidiary and an associate	**1,655**	4,474	**-**	4,474

1(c) Earnings per share :-

	Nine Months			Three Months		
	30 Sep 06 Cents	30 Sep 05 Cents Restated *	+/(-) %	30 Sep 06 Cents	30 Sep 05 Cents Restated*	+/(-) %
Earnings per ordinary share of the Group based on net profit attributable to shareholders :-						
(i) Based on the weighted average number of shares	**2.80**	7.35	(62%)	**0.36**	2.67	(87%)
- Weighted average number of shares ('000)	**515,832**	498,409	-	**516,290**	510,865	-
(ii) On a fully diluted basis	**2.76**	7.12	(61%)	**0.36**	2.59	(86%)
- Adjusted weighted average number of shares ('000)	**523,630**	514,519	-	**525,157**	527,228	-

* Restatement in 2005 was due to bonus issue of shares in July 2005.

1(d) Negative goodwill on acquisitions

The Group has determined the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities and recognised an amount of negative goodwill arising from these acquisitions during the three months ended 30 September 2006. The management is currently in discussion with its auditors on the valuation of the acquisitions. Adjustments may be made upon the finalisation of the discussion.

2. BALANCE SHEETS as at 30 September 2006

	Group		Company	
	30 Sep 06 S$'000	31 Dec 05 S$'000 (Restated)	30 Sep 06 S$'000	31 Dec 05 S$'000
NON-CURRENT ASSETS				
Property, plant and equipment	**57,007**	5,941	**2,377**	1,264
Intangible assets	**33,511**	21,050	**2,476**	1,921
Lease receivables	**105,283**	100,028	**-**	-
Investment in subsidiaries	**-**	-	**80,300**	56,618
Investment in joint ventures	**-**	-	**20,000**	22,538
Investment in associates	**6,875**	11,494	**-**	8,812
Long term investments	**5,997**	5,188	**899**	-
Total non-current assets	**208,673**	143,701	**106,052**	91,153
CURRENT ASSETS				
Cash and fixed deposits	**35,987**	96,412	**3,814**	52,777
Short term investments	**-**	2,000	**-**	2,000
Trade receivables	**28,974**	31,072	**7**	227
Lease receivables, current	**757**	639	**-**	-
Gross amounts due for contract work	**59,011**	43,859	**16,528**	12,095
Other receivables, deposits and prepayments	**27,543**	17,621	**4,954**	1,084
Inventories	**8,849**	11,069	**6,490**	5,073
Due from related parties	**18,044**	27,687	**47,032**	26,657
Short term loans	**374**	9,732	**-**	870
Derivative financial instruments	**5,535**	6,568	**226**	1
Total current assets	**185,074**	246,659	**79,051**	100,784
CURRENT LIABILITIES				
Trade payables	**45,448**	51,681	**4,172**	1,876
Advances from customers	**4,753**	8,400	**3,242**	6,437
Other payables and accruals	**9,661**	15,972	**2,893**	4,042
Tax payable	**1,380**	2,698	**-**	-
Derivative financial instruments	**4,706**	5,465	**-**	73
Deferred income	**2,155**	1,609	**-**	-
Interest bearing loans and borrowings	**33,785**	1,641	**30,902**	385
Total current liabilities	**101,888**	87,466	**41,209**	12,813
Net current assets	**83,186**	159,193	**37,842**	87,971
NON-CURRENT LIABILITIES				
Deferred tax liabilities	**1,976**	288	-	-
Interest bearing loans and borrowings	**78,983**	105,437	-	30,902
Total non-current liabilities	**80,959**	105,725	-	30,902
Net assets	**210,900**	**197,169**	**143,894**	148,222

	Group		Company	
	30 Sep 06 S$'000	**31 Dec 05 S$'000 (Restated)**	**30 Sep 06 S$'000**	**31 Dec 05 S$'000**
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Issued share capital	**89,942**	25,728	**89,942**	25,728
Share premium	**-**	62,693	**-**	62,693
Capital reserve	**987**	987	**-**	-
Foreign currency translation reserve	**(2,967)**	(617)	**-**	-
Hedging reserve	**(6,185)**	(7,143)	**562**	379
Employee share option reserve	**5,613**	2,852	**5,613**	2,852
Revenue reserve	**112,448**	104,946	**47,777**	56,570
	199,838	189,446	**143,894**	148,222
Minority interests	**11,062**	7,723	**-**	-
Total equity	**210,900**	197,169	**143,894**	148,222
Group net borrowings (S$)	**76,781**	10,666	**n.a.**	n.a.
Group net gearing (times)	**0.36x**	0.05x	**n.a.**	n.a.

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

NOTES TO BALANCE SHEETS

2(a) Group's borrowings and debt securities

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

30 Sep 06		31 Dec 05	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
2,016	31,769	1,256	385

(ii) Amount repayable after one year

30 Sep 06		31 Dec 05	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
78,983	-	74,535	30,902

Details of any collateral

The loans of the Group obtained from financial institutions are secured by a charge on all present and future assets and intellectual property of a joint venture and a charge on the land where the desalination plant of the joint venture is located. In addition, the Company has also pledged all its shares in a joint venture to the principal bankers as security.

2(b) Net assets value

	30 Sep 06 Cents	31 Dec 05 Cents	+ / (-) %
Net assets value per ordinary share of:			
Group	40.8	36.8	11%
Company	27.9	28.7	(3%)

3. CONSOLIDATED CASHFLOW STATEMENTS
for the third quarter and nine moths ended 30 September 2006

	Nine Months			Three Months		
	30 Sep 06	30 Sep 05	+ / (-)	30 Sep 06	30 Sep 05	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
OPERATING ACTIVITIES						
Profit before tax	**15,913**	45,972		**2,081**	13,104	
Adjustments:						
Fair value (gain) / loss of financial instruments (unrealised)	**(114)**	(12,716)		**48**	(4,036)	
Gain on sale of a subsidiary and an associate	**(1,655)**	(4,474)		**-**	(4,474)	
Gain on sale of property, plant and equipment	**(30)**	(8,367)		**(11)**	135	
Cost of share-based payment	**2,475**	1,426		**667**	719	
Share of results of associates	**998**	65		**51**	65	
Depreciation and amortisation	**3,618**	3,083		**1,275**	1,099	
Negative goodwill on acquisitions	**(2,950)**	-		**(2,950)**	-	
Interest paid	**3,787**	1,069		**1,306**	542	
Interest received	**(1,394)**	(730)		**(336)**	(288)	
Government grants	**424**	(130)		**-**	-	
Allowance for doubtful debts	**1,224**	-		**-**	-	
Unrealised profit from associates	**545**	4,123		**545**	3,178	
Operating cash flows before working capital changes	**22,841**	29,321	(22%)	**2,676**	10,044	(73%)
Working Capital Changes :						
Inventories	**1,834**	(4,227)		**2,823**	(171)	
Gross amounts due for contract work	**(20,655)**	(23,289)		**5,716**	(9,357)	
Trade receivables	**2,378**	8,149		**(3,619)**	12,923	
Other receivables, deposits and	**6,444**	(2,026)		**(897)**	17,505	
Due from related parties	**11,584**	(20,098)		**2,112**	(20,098)	
Trade payables	**(15,260)**	15,559		**(7,028)**	13,061	
Other payables and accruals	**(4,565)**	1,416		**(4,596)**	(3,771)	
Advance from customers	**(3,648)**	8,747		**(3,204)**	7,776	
Deferred income	**545**	-		**164**	5,387	
Derivative financial instruments	**166**	-		**-**	-	
Trust receipts	**-**	(250)		**-**	(250)	
Total working capital changes	**(21,177)**	(16,019)	32%	**(8,529)**	23,005	NM
Cash generated from / (used in) operating activities	**1,664**	13,302		**(5,853)**	33,049	
Tax paid	**(1,242)**	(97)		**(662)**	(3)	
Net cash from / (used in) operations	**422**	**13,205**	(97%)	**(6,515)**	**33,046**	NM
INVESTING ACTIVITIES						
Purchase of property, plant and equipment	**(29,572)**	(67,629)		**(29,850)**	(23,283)	
Proceeds from disposal of property, plant and equipment	**96**	19,162		**42**	1	
Acquisition of subsidiaries, net of cash acquired [Note 3(b)]	**(10,522)**	-		**(6,874)**	-	
Downpayment for acquisition of subsidiaries	**(3,010)**	-		**7,723**	-	
Sale of a subsidiary and an associate, net of cash disposed [Note 3(a)]	**(4,521)**	29,109		**-**	29,109	
Investment in associate	**(4,309)**	(9,334)		**(4,309)**	-	
Payments for intangible assets	**(7,729)**	(4,085)		**(2,139)**	(2,671)	
Long term investments	**2,253**	(1,595)		**2,253**	-	
Short term investments	**2,000**	13		**-**	-	
Due from related parties, non-current	**243**	-		**8,233**	-	
Interest received	**1,394**	730		**336**	288	

	Nine Months			Three Months		
	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %	30 Sep 06 S$'000	30 Sep 05 S$'000	+ / (-) %
Government grants received	**229**	130		**-**	-	
Net cash (used in) / from investing activities	**(53,448)**	**(33,499)**	**60%**	**(24,585)**	**3,444**	**NM**
FINANCING ACTIVITIES						
Proceeds from issuance of new shares	**1,807**	37,119		**372**	617	
Proceeds from / (payments of) short-term loans	**7,062**	(6,535)		**14,598**	(7,161)	
Proceeds from / (payments of) long-term loans	**(1,705)**	37,463		**(6,939)**	3,887	
Interest paid	**(3,787)**	(1,069)		**(1,306)**	(542)	
Dividend paid to shareholders	**(6,963)**	(4,318)		**-**	-	
Minority shareholders' contribution	**-**	2,241		**-**	2,241	
Net cash (used in) / from financing activities	**(3,586)**	**64,901**	NM	**6,725**	**(958)**	NM
Net (decrease)/ increase in cash and cash equivalents	**(56,612)**	44,607		**(24,375)**	35,532	
Cash and cash equivalents at beginning of the period	**96,412**	61,282		**61,135**	70,307	
Effect of exchange rate changes	**(3,813)**	547		**(773)**	597	
Cash and cash equivalents at end of the period	**35,987**	**106,436**	(66%)	**35,987**	**106,436**	(66%)

NOTES TO CONSOLIDATED CASHFLOW STATEMENTS

3(a) The values of assets and liabilities of subsidiaries and an associate disposed were as follows :

	Nine Months		Three Months	
	30 Sep 06 S$'000	30 Sep 05 S$'000	30 Sep 06 S$'000	30 Sep 05 S$'000
Current assets	**22,704**	5,696	**-**	5,696
Non-current assets	**302**	90,334	**-**	90,334
Current liabilities	**(16,890)**	(9,853)	**-**	(9,853)
Non-current liabilities	**-**	(90,254)		(90,254)
Derivative asset	**-**	8,727	**-**	8,727
Assignment of shareholders' loan	**-**	20,000		20,000
Minority Interest	**(3,044)**	-	**-**	-
Net assets disposed	**3,072**	24,650	**-**	24,650
Loss (gain) on sale of subsidiary	**(386)**	4,474	**-**	4,474
Professional fees incurred	**-**	876		876
Add: Cash proceeds from sale of a subsidiary	**2,686**	30,000	**-**	30,000
Add: Cash proceeds from sale of associate	**9,515**	-	**-**	-
Total cash proceeds	**12,201**	30,000	**-**	30,000
Less: Cash in subsidiary	**(16,722)**	(15)	**-**	(15)
Less: Professional fees incurred	**-**	(876)		(876)
Cash (outflow) inflow on disposal of a subsidiary and associate	**(4,521)**	29,109	**-**	29,109

3(b) The fair values of the identifiable assets and liabilities of a subsidiaries acquired were as follows :

	Nine Months		Three Months	
	30 Sep 06	30 Sep 05	30 Sep 06	30 Sep 05
	S$'000	S$'000	S$'000	S$'000
Cash	3,157	-	2,693	-
Current assets	13,737	-	11,823	-
Non-current assets	36,430	-	16,991	-
Current liabilities	(26,057)	-	(7,513)	-
Non-current liabilities	(6,410)	-	(5,312)	-
Minority interest	(5,822)	-	(5,356)	-
Fair value of net assets acquired:	15,035	-	13,326	-
Positive goodwill	2,640	-	237	-
Negative goodwill	(2,950)	-	(2,950)	-
Purchase consideration	14,725	-	10,613	-
Less: Deposits	(1,046)	-	(1,046)	-
Less: Cash of subsidiaries acquired	(3,157)	-	(2,693)	-
Net cash outflow on acquisitions	10,522	-	6,874	-

4. STATEMENTS OF CHANGES IN EQUITY
for the third quarter and nine months ended 30 September 2006

4(a). Statement of changes in equity of the Group

	Attributable to shareholders of the Company									
	Issued share capital	Share premium	Capital reserve	Foreign currency translation reserve	Hedging reserves	Employee share option reserves	Revenue reserve	Total	Minority interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'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	62,407	(62,407)	-	-	-	-	-	-	-	-
Issue of shares for cash	1,807	(286)	-	-	-	286	-	1,807	-	1,807
Fair value gain of financial derivatives	-	-	-	-	958	-	-	958	-	958
Reduction of MI due to disposal of a subsidiary	-	-	-	-	-	-	-	-	(3,044)	(3,044)
Foreign currency translation differences	-	-	-	(2,350)	-	-	-	(2,350)	1,638	(712)
Cost of share-based payment	-	-	-	-	-	2,475	-	2,475	-	2,475
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	5,822	5,822
Net profit for the period	-	-	-	-	-	-	14,465	14,465	(1,077)	13,388
Dividends	-	-	-	-	-	-	(6,963)	(6,963)	-	(6,963)
At 30.9.2006	**89,942**	**-**	**987**	**(2,967)**	**(6,185)**	**5,613**	**112,448**	**199,838**	**11,062**	**210,900**
At 1.7.2006	89,570	-	987	(3,109)	(3,741)	4,946	110,568	199,221	4,547	203,768
Issue of shares for cash	372	-	-	-	-	-	-	372	-	372
Fair value gain of financial derivatives	-	-	-	-	(2,444)	-	-	(2,444)	-	(2,444)
Foreign currency translation differences	-	-	-	142	-	-	-	142	1,847	1,989
Cost of share-based payment	-	-	-	-	-	667	-	667	-	667
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	5,356	5,356
Net profit for the period	-	-	-	-	-	-	1,880	1,880	(688)	1,192
At 30.9.2006	**89,942**	**-**	**987**	**(2,967)**	**(6,185)**	**5,613**	**112,448**	**199,838**	**11,062**	**210,900**

4(a). Statement of changes in equity of the Group – cont'd

	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
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group										
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**
On adoption of FRS 39 at 1.1.2005	-	-	-	-	(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	1,274	35,845	-	-	-	-	-	37,119	-	37,119
Issue of bonus shares	8,508	(8,508)	-	-	-	-	-	-	-	-
Capital contibution by MI	-	-	-	-	-	-	-	-	2,241	2,241
Fair value gain of financial derivatives	-	-	-	-	9,606	-	-	9,606	-	9,606
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)
At 30.9.2005	**25,566**	**60,963**	**987**	**(418)**	**(7,045)**	**3,390**	**94,161**	**177,604**	**13,967**	**191,571**
At 1.7.2005	**17,015**	**68,898**	**960**	**(1,031)**	**(17,553)**	**2,671**	**80,521**	**151,481**	**12,318**	**163,799**
Issue of shares for cash	43	573	-	-	-	-	-	616	-	616
Issue of bonus shares	8,508	(8,508)	-	-	-	-	-	-	-	-
Capital contibution by MI	-	-	-	-	-	-	-	-	2,241	2,241
Fair value gain of financial derivatives	-	-	-	-	10,508	-	-	10,508	-	10,508
Capital reserve arising on consolidation	-	-	27	-	-	-	-	27	(27)	-
Foreign currency translation differences	-	-	-	613	-	-	-	613	182	795
Cost of share-based payment	-	-	-	-	-	719	-	719	-	719
Net profit for the period	-	-	-	-	-	-	13,640	13,640	(747)	12,893
At 30.9.2005	**25,566**	**60,963**	**987**	**(418)**	**(7,045)**	**3,390**	**94,161**	**177,604**	**13,967**	**191,571**

4(b). Statement of changes in equity of the Company

	Attributable to shareholders of the Company					
	Share capital S$'000	Share premium S$'000	Hedging reserve S$'000	Employee share option reserve S$'000	Revenue reserve S$'000	Total equity S$'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	62,407	(62,407)	-	-	-	-
Issue of shares for cash	1,807	(286)	-	286	-	1,807
Fair value gain of financial derivatives	-	-	183	-	-	183
Cost of share-based payment	-	-	-	2,475	-	2,475
Net loss for the period	-	-	-	-	(1,830)	(1,830)
Dividends	-	-	-	-	(6,963)	(6,963)
At 30.9.2006	**89,942**	**-**	**562**	**5,613**	**47,777**	**143,894**
At 1.7.2006	**89,570**	**-**	**640**	**4,946**	**48,273**	**143,429**
Issue of shares for cash	372	-	-	-	-	372
Fair value gain of financial derivatives	-	-	(78)	-	-	(78)
Cost of share-based payment	-	-	-	667	-	667
Net loss for the period	-	-	-	-	(496)	(496)
At 30.9.2006	**89,942**	**-**	**562**	**5,613**	**47,777**	**143,894**

4(b). Statement of changes in equity of the Company – cont'd

	Attributable to shareholders of the Company					
	Share capital	Share premium	Hedging reserve	Employee share option reserve	Revenue reserve	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
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
On adoption of FRS 39 at 1.1.2005	-	-	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	1,274	35,845	-	-	-	37,119
Issue of bonus shares	8,508	(8,508)	-	-	-	-
Fair value gain of financial derivatives	-	-	143	-	-	143
Cost of share-based payment	-	-	-	1,426	-	1,426
Net profit for the period	-	-	-	-	6,462	6,462
Dividends	-	-	-	-	(4,318)	(4,318)
At 30.9.2005	**25,566**	**60,963**	**148**	**3,390**	**37,899**	**127,966**
At 1.7.2005	**17,015**	**68,898**	**(99)**	**2,671**	**30,023**	**118,508**
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 period	-	-	-	-	7,876	7,876
At 30.9.2005	**25,566**	**60,963**	**148**	**3,390**	**37,899**	**127,966**

4(c) Share capital

Pursuant to the Companies (Amendment) Act 2005 which is effective from 30 January 2006, the concept of authorised share capital and par value has been abolished. Amount standing to the credit of share premium account and capital redemption reserve are been transferred to the issued share capital account as at that date.

For the nine months ended 30 September 2006, 1,903,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme"), of which 540,000 of the shares were issued in 3Q 2006.

For the nine months ended 30 September 2006, 2,900,000 options were granted under the Scheme, of which 50,000 employee share options were issued in 3Q 2006.

As at 30 September 2006, the number of outstanding and unexercised Options granted under the Scheme were 20,232,843 (30 September 2005: 25,316,759).

5. AUDIT / REVIEW

The financial statements have not been audited nor reviewed by our auditors.

6. AUDITORS' REPORT

Not applicable

7. ACCOUNTING POLICIES

The Group and the Company have applied the same accounting policies and methods of computation as in their most recently audited annual financial statements, except as set out in paragraph 8 below.

8. CHANGES IN THE ACCOUNTING POLICIES

8(a) INT FRS 104 - Determining Whether an Arrangement Contains a Lease

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 FRS 17 and INT FRS 104, this arrangement constitutes a finance lease.

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

1. Balance Sheet
   Property, plant and equipment of the Group is 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 assets.

2. Income Statement
   a) The total proceeds received from PUB is recognised as follows:
      - Part of the proceeds as revenue, and
      - Part of the proceeds as reduction in lease receivables

   b) There will be no depreciation charge.

8(b) FRS 21 – The Effect of Changes In Foreign Exchange Rates

With effect from 1 January 2006, a subsidiary and a joint venture of the Group adopted US Dollars and RMB respectively, as their functional currencies, in accordance with FRS 21 (revised), as US Dollars and RMB best reflects the economic substance of the underlying activities of the entities.

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

1. Balance Sheet
   Foreign currency translation reserve is reduced by S$1.3 million.

2. Income Statement
   Unrealised exchange loss for the Group is reduced by S$1.3 million.

9. REVIEW OF GROUP PERFORMANCE

Nine Months ended 30 September 2006

For the nine months ended 30 September 2006, Group revenue grew marginally by 8% year on year to S$100.6 million. Profit after tax attributable to shareholders is S$14.5 million, 61% lower than the same period last year. This was mainly due to lower municipal sales from Middle East and Singapore, partially offset by higher industrial sales. The elimination of Engineering, Procurement and Construction (EPC) revenue and profits relating to projects under Utility at Group level (from July) also affected the financial results. In addition, there was a significant increase in personnel costs and development expenses necessary to develop and expand into new markets and the used oil recycling business. Exceptional gains of S$4.7 million was S$21.0 million lower than last year.

Revenue

Industrial sales grew by 99% to S$66.9 million on the back of strong order book and comprised 67% of total Group revenue. Municipal revenue of S$29.3 million was 51% lower than last year.

China continues to be the key revenue driver, contributing 71% of Group's total revenue, compared to 42% in 2005. This was driven by strong demand from the industrial sectors, partially offset by the elimination of EPC revenue relating to projects under Utility. Singapore accounted for 19% of total Group revenue and comprised mainly of water revenue from operating the SingSpring plant. Contributions from Singapore decreased by 41% to S$19.3 million due to revenue recognised from the completion of the SingSpring plant last year. Revenue from the Middle East and the other region were down by 52% due to lower sales from the Middle East venture.

Costs and Expenses

Personnel expenses of S$15.2 million were S$6.1 million or 67% higher than that of the corresponding period in 2005. Other operating expenses, increased by 19% to S$10.4 million with higher legal and professional fees incurred to secure and develop new projects. The increases in expenses are in line with the Group's focus to capitalise on its technology and track record to expand into new markets such as India, Europe, the MENA region and to develop the used oil recycling business.

Other non-operating expenses increased mainly due to the allowance for doubtful debts and unrealised exchange losses amounting to a total of S$2.5 million. Net finance expenses has increased to S$2.1 million due to the project financing loan for SingSpring seawater desalination plant. Fair value gain on financial instruments (unrealised) was S$0.1 million compared to S$12.7 million last year as financial instruments qualified for hedge accounting with fair value adjustments included in hedging reserve on the Balance Sheet.

In accordance with FRS103, a negative goodwill on acquisition of subsidiaries of S$2.9 million was recorded for its subsidiaries acquired during the year.

Higher tax expense of S$2.5 million this year was mainly due to the provision of deferred tax expense in SingSpring which commenced operations in December 2005.

Basic Earnings Per Share

Basic earnings per share was 2.80 cents compared to 7.35 cents a year ago. The decrease in basic earnings per share was due to lower profits and new shares issuance during the year (30 September 2006: 515,831,860 shares, 30 September 2005: 498,408,906 shares).

Three Months ended 30 September 2006

For the three months ended 30 September 2006, the Group recorded a decline in revenue and profit attributable to shareholders of 42% and 86% respectively. This was mainly due to lower sales from Singapore and the elimination of EPC revenue relating to the Utility projects on consolidation, increase in personnel expenses by 23% to S$5.6 million, higher tax expenses and lower exceptional gains.

In accordance with FRS103, a negative goodwill on acquisiton of subsidiaries of S$2.9 million was recorded for its subsidiaries acquired during the year.

9(b) Balance Sheet Analysis

Group

Non-Current Assets

Non-current assets increased by S$65.0 million, or 45% compared to 31 December 2005 mainly due to acquisition of property, plant and equipment, technology and finance lease assets, partially offset by the disposal of an associate.

During the three months ended 30 September 2006, the Group acquired 80% interest in Changshu Wins Sun Waste Treatment, Co Ltd ("Changshu") which has a Waste Water Concession Agreement to treat waste water. In accordance with the FRS 17 and INT FRS 104, this arrangement constitutes a finance lease and the property, plant and equipment of Changshu has been recognised as lease receivable.

Non-Current Liabilities

Non-current liabilities decreased by 23% to S$81.0 million from S$105.7 million, due to reclassification of part of the amounts to current liabilities in accordance with the maturity dates of the loan amounts.

Working Capital

Total current assets reduced by 25% to S$185.1 million from S$246.7 million mainly due to lower cash and fixed deposits by S$60.4 million, lower amounts due from related parties of S$9.6 million, partially offset by higher amounts due from customers for contract work of S$15.2 million and higher deposits and prepayments of S$9.9 million. The increased in other receivables, deposits and prepayments was mainly due to advance paid to membrance equipment suppliers and guarantee deposit placed for a bid by a subsidiary.

Total current liabilities increased by 16% to S$101.9 million from S$87.5 million mainly due to S$30.9 million of interest bearing loans reclassified from long term liabilities and, partially offset by lower trade payables, other payables and accruals of S$12.5 million.

Overall, working capital decreased by 48% to S$83.2 million from S$159.2 million.

Shareholders' Equity

Shareholders' equity increased by S$10.4 million or 5.5% to S$199.8 million from S$189.4 million as of 31 December 2005 mainly resulted from net profit for the year of S$14.5 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 Interests

Minority interests increased by 43% to S$11.1 million mainly due to the change of status fom joint venture to subsidiary of Utility.

Net Debt to Equity Ratio

The net debt to equity ratio for the Group increased to 0.36 as of September 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.

Company

Non-Current Assets

Non-current assets increased by 16% to S$106.1 million from S$91.2 million largely due to higher investment in subsidiaries by S$23.7 million with the increased shareholding in Utility, partially offset by divestment of equity stake in Middle East ventures.

Non-Current Liabilities

Decrease in 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. This, together with lower cash and fixed deposits, brought about a lower working capital of S$50.1 million.

Working Capital

Total current assets reduced by 22% to S$79 million mainly due to lower cash due to increase investment in subsidiaries.

Total current liabilities increased by 222% to S$41 million mainly due to interest bearing loans reclassified from long term liabilities.

Shareholders' Equity

Shareholders' equity for the Company decreased marginally to S$143.9 million mainly due to dividends paid out and net loss incurred for the period.

9(c) Cashflow Statement Analysis

Nine Months ended 30 September 2006

The Group's cash position as of 30 September 2006 was S$36.0 million, down by S$70.4 million compared to a year ago.

Net cash generated from operations was S$0.4 million, 97% lower than prior year mainly due to higher working capital requirements and higher tax payments made during the year.

Net cash used in investing activities increased by 60% to S$53.4 million. The Group invested on acquisition of property, plant and equipment, subsidiaries, and technologies and downpayment for acquisition of subsidiaries for Design Build Own Operate (DBOO)/ Design Build Own Transfer (DBOT) projects in China.

Cash used in financing activities was S$3.6 million, mainly for dividend distribution to shareholders, offset by drawdown in term loans.

Three Months ended 30 September 2006

Group's net cash used in operations was S$6.5 million, mainly due to reduced profits for the quarter and higher working capital requirements .

Net cash used in investing activities was S$24.6 million, mainly for the investment in the acquisition of technologies and shares in subsidiaries and property, plant and equipment, partially offset by lower amounts due from related parties. During the same period last year, net cash generated from investing activities was mainly from the proceeds of sale of 50% equity stake in SingSpring.

Cash generated from financing activities was S$6.7 million. This was mainly from the drawdown from short-term loans.

10. VARIANCE FROM PROSPECT STATEMENT

The Group had announced during the 1H06 results that it expects its performance for second half 2006 to be stronger than the first half. The contributions from Istithmar Joint Venture was below the Group's expectation and we do not foresee significant contributions from this Venture to the Group's earnings in the next 12 months. Pursuant to the announcement on 11 Nov 2006 relating to the increase in shareholding by the Company from 50% to 80%, resulting in being considered a subsidiary of the Company. In compliance with the Financial Reporting Standards, all inter-company transactions, including the revenue and profits arising from EPC (Engineering, Procurement and Construction) works performed by the Hyflux Group for the projects have been eliminated on consolidation.

11. PROSPECT

The Group remains optimistic about the macro environment on the water, waste-water and used oil recovery sectors in China, India, South East Asia and the Middle East Region.

Industrial Sector

The growth in industrial sales is expected to remain strong, backed by a strong order book from the pharmaceutical and biotechnology sectors. The Group's proprietary technology on the wide range of membranes (polymeric, ceramic and stainless steel membranes) will enable the Group to provide customised and competitve solutions to customers from various sectors.

Municipal Sector

Singapore

The SingSpring seawater desalination plant is in operation since 4Q05. Operated by Hyflux Engineering Pte Ltd, a wholly owned subsidiary of the Company, the plant has consistently met the product quality and despatch quantity required by PUB. The 20-year Operations and Maintenance contract provides the Group with a long term and stable recurring revenue stream.

China

The Group is currently delivering 13 projects under relating to seawater desalination, water and wastewater treatment and recycling for the municipal government and industrial park owners. These projects have an estimated value of S$400 million in asset value after completion and will generate 25 – 30 years of recurring revenue stream of about S$160 million to S$170 million each year for the Group when operational. With the vast water and wastewater treatment opportunities, is developing a pipeline of projects.

The MENA Region

The Group has made significant progress in the MENA region with a significant win in Algeria of a S$328 million (US$205 million) EPC contract to design, and build a 200MLD desalination plant. This is the largest seawater desalination plant undertaken by the Group and marks a fresh footprint in the MENA region. The project is expected to complete within 24 months from financial close.

Currently, the Group is also pursuing other projects in Algeria and the MENA region.

Consumer Sector

Consumer sales has improved during the third quarter 2006 and is expected to have a positive contribution to the Group's financials in the next 12 months.

Used oil recovery Sector

Our entry into into used oil recovery using Hyflux Advanced Proprietary Membrane Systems (HAMS) is making good inroads into the target regions.

In Singapore, we have delivered the first phase of membrane-based plant for the used oil recovery plant in October 2006 and are planning a larger land space to expand its capacity.

In China, the Group has just entered into a conditional agreement subject to the customary due diligence process with a Beijing used oil collector, in which it will hold a majority equity stake of 80%. The initial investment is about S$7 million and will progressively increase to about S$16 million by 2009.

In India, the Group has identified a few potential sites for the used oil recovery business and is in the process of obtaining land permit and licence.

The Group is also pursuing a few used oil recovery projects in the South East Asia Region.

Overall, the Group has committed substantial human and financial resources to develop this huge potential in the used oil recovery business and is making good progress.

Order Book

As of 3Q06, the Group's order book (excluding the projects in SinoSpring), stood at S$454 million, representing a 198% increase compared to 1H06.

Funding

The Group recently strengthened its capital structure with the successful signing of a 5-year US$138 million syndicated loan facility with banks from China, Malaysia, Taiwan, Europe, India and all major Singapore banks. This will allow the Group to execute its strong pipeline of projects and to fund new opportunities.

When appropriate, Hyflux will securitise the BOO/BOT projects to unlock their values and to release the capital to be deployed for the Group's business activities.

The Group intends to make further investments in its core business to expand into new markets including the used oil recycling business. Such investments are necessary to generate furture income for the Group. In the short term, the Group may have to incur financing costs to raise funds for this purpose. Consequently, we expect that the short term impact on the financials of the Group to be negatively affected and the results for the forth quarter 2006 may only be marginally profitable.

12. DIVIDEND

No dividend was declared during the quarter.

13. CONFIRMATION BY THE BOARD

The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the 3QFY2006 financial results to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Grace Goh Bee Kheng
Company Secretary
Submitted on 14 November 2006 to SGX-ST