



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The First Quarter Ended 31 March 2008

The Directors of Hyflux Ltd wish to announce the unaudited results of the Group for the first quarter ended 31 March 2008.

1 (a)(i) CONSOLIDATED INCOME STATEMENT for the first quarter ended 31 March 2008

	1 Jan 08 to 31 Mar 08 S\$'000	1 Jan 07 to 31 Mar 07 S\$'000 (Restated)	+ / (-) %
Revenue	89,602	17,508	412%
Raw materials and consumables	(68,721)	(8,992)	664%
Personnel expenses	(9,279)	(4,978)	86%
Cost of share-based payment	(1,016)	(703)	45%
Other operating expenses	(1,800)	(3,588)	(50%)
Depreciation and amortisation	(2,092)	(1,608)	30%
Gain on sale of partial interest in a joint venture [Note 1(a)(ii)]	-	8,089	NM
Net (loss) / gain on sale of property, plant and equipment	(63)	74	NM
Finance income	531	583	(9%)
Finance expenses	(2,081)	(1,677)	24%
Fair value loss on derivative financial instruments	(169)	(2,934)	(94%)
Share of profit of associates	468	659	(29%)
Other income	183	88	108%
Profit before taxation	5,563	2,521	121%
Taxation	1,132	(1,218)	NM
Profit after taxation	6,695	1,303	414%
Attributable to:			
Shareholders of the Company	5,742	1,160	395%
Minority interests	953	143	566%
	6,695	1,303	414%

NM: Not meaningful

NOTES TO CONSOLIDATED INCOME STATEMENT

1(a)(ii) Profit before taxation of the Group is arrived at after (charging)/crediting the following: -

	1 Jan 08 to 31 Mar 08 S\$'000	1 Jan 07 to 31 Mar 07 S\$'000
Impairment of trade and other receivables	(4)	(297)
Allowance for inventory obsolescence and inventory written down	(1)	(147)
Foreign exchange gain / (loss) - net	<u>5,085</u>	<u>(241)</u>

Gain on sale of partial interest in a joint venture is arrived as follows: -

	S\$'000	S\$'000
Cash received from sale	-	17,621
Less:		
Cost of investment disposed of	-	(8,000)
Post acquisition profits of investment disposed of	-	(1,389)
Legal and other professional fees incurred pursuant to the disposal	-	<u>(143)</u>
Gain on sale of partial interest in a joint venture	<u>-</u>	<u>8,089</u>

1(b)(i) BALANCE SHEETS

	Group		Company	
	31 Mar 08 S\$'000	31 Dec 07 S\$'000	31 Mar 08 S\$'000	31 Dec 07 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	83,127	62,573	7	7,612
Investment property	2,330	2,373	-	-
Intangible assets	42,127	40,499	4,118	4,182
Investments in subsidiaries	-	-	134,882	134,377
Investments in joint venture	-	-	1,125	1,125
Investments in associates	111,054	100,064	12,358	12,277
Long term investments	908	7,917	899	899
Financial and lease receivables	22,268	9,570	-	-
Due from related parties (non-trade)	20,925	-	17,899	18,833
Deferred tax assets	1,421	1,218	-	-
Total non-current assets	284,160	224,214	171,288	179,305
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	73,521	93,257	4,454	9,527
Inventories	21,758	20,641	376	17,498
Trade receivables	62,851	46,110	1,363	1,148
Financial and lease receivables	692	187	-	-
Other receivables and deposits	34,975	31,740	4,578	3,377
Prepayments	14,632	6,582	1,245	1,327
Due from related parties (trade)	25,719	15,216	21,007	22,673
Due from related parties (non-trade)	7,933	4,787	201,627	155,412
Cash and fixed deposits	97,967	121,047	3,412	6,074
Total current assets	340,048	339,567	238,062	217,036
<u>CURRENT LIABILITIES</u>				
Trade payables	115,790	55,022	926	1,172
Other payables and accruals	12,135	17,747	1,573	3,216
Progress payments from customers	26,521	25,989	2,069	2,080
Interest-bearing loans and borrowings	255	5,245	-	5,000
Finance lease liabilities	124	104	-	-
Deferred income	14,106	14,281	88	88
Due to related parties (trade)	-	-	843	845
Due to related parties (non-trade)	2,028	1,796	49,011	36,741
Tax payable	104	202	-	-
Total current liabilities	171,063	120,386	54,510	49,142
Net current assets	168,985	219,181	183,552	167,894
<u>NON-CURRENT LIABILITIES</u>				
Interest-bearing loans and borrowings	198,015	193,266	195,260	190,596
Finance lease liabilities	156	187	-	-
Deferred tax liabilities	2,875	2,875	159	159
Total non-current liabilities	201,046	196,328	195,419	190,755
Net assets	252,099	247,067	159,421	156,444

	Group		Company	
	31 Mar 08	31 Dec 07	31 Mar 08	31 Dec 07
	S\$'000	S\$'000	S\$'000	S\$'000
<u>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</u>				
Share capital	97,081	95,820	97,081	95,820
Capital reserves	1,064	1,064	-	-
Foreign currency translation reserve	(4,864)	(1,815)	-	-
Hedging reserve	(4,940)	(4,222)	-	-
Employee share option reserve	10,435	9,419	10,435	9,419
Revenue reserve	145,248	139,506	51,905	51,205
Shareholders' equity	244,024	239,772	159,421	156,444
Minority interests	8,075	7,295	-	-
Total equity	252,099	247,067	159,421	156,444
<i>Group net borrowings (S\$)</i>	100,583	77,755	n.a.	n.a.
<i>Group net gearing (times)</i>	0.40x	0.32x	n.a.	n.a.

NOTES TO BALANCE SHEETS

1(b)(ii) Group's borrowings and debt securities

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

31 Mar 08		31 Dec 07	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
124	255	104	5,245

(ii) Amount repayable after one year

31 Mar 08		31 Dec 07	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,911	195,260	2,857	190,596

Details of any collateral

A subsidiary's bank loan is secured by a lien over its inventory and receivables and partially guaranteed by a Director of the subsidiary and financial institution.

**1(c) CONSOLIDATED CASH FLOW STATEMENT
for the first quarter ended 31 March 2008**

	1 Jan 08 to 31 Mar 08 S\$'000	1 Jan 07 to 31 Mar 07 S\$'000 (Restated)
Cash flows from operating activities		
Profit before taxation	5,563	2,521
Adjustments:		
Cost of share-based payment	1,016	703
Fair value loss on derivative financial instruments	169	2,934
Gain on sale of partial interest in a joint venture	-	(8,089)
Net loss/(gain) on sale of property, plant and equipment	63	(74)
Share of profit of associates	(468)	(659)
Depreciation and amortisation	2,092	1,608
Finance expenses	2,081	1,677
Finance income	(531)	(583)
Impairment of trade and other receivables	4	297
Allowance for inventory obsolescence and inventory written down	1	147
	<u>9,990</u>	<u>482</u>
Operating cash flows before working capital changes		
Working Capital Changes :		
Inventories	(1,139)	(2,820)
Gross amounts due for contract work	19,736	(1,721)
Trade receivables	(16,750)	(6,067)
Financial and lease receivables	(12,130)	218
Other receivables, deposits and prepayments	(11,285)	(15,474)
Due from related parties (trade)	(10,503)	1,583
Trade payables	60,768	211
Other payables and accruals	(6,922)	(1,302)
Progress payments from customers	532	6,024
Deferred income	(175)	(4,230)
	<u>22,132</u>	<u>(23,578)</u>
Total working capital changes		
Cash generated from / (used in) operating activities	32,122	(23,096)
Tax refund/(paid)	344	(601)
	<u>32,466</u>	<u>(23,697)</u>
Net cash generated from / (used in) operating activities		

	1 Jan 08 to 31 Mar 08 S\$'000	1 Jan 07 to 31 Mar 07 S\$'000 (Restated)
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,486)	(2,292)
Acquisition of intangible assets	(1,997)	(1,775)
Proceeds from sale of a joint venture, net of cash disposed [Note (c)(i)]	-	15,962
Proceeds from sale of property, plant and equipment	1	74
Acquisition of long term investments	-	(1,081)
Acquisition of associates	(4,556)	-
Due from related parties (non-trade)	(23,839)	(69)
Interest received	531	255
	<u>(53,346)</u>	<u>11,074</u>
Net cash (used in) / generated from investing activities		
Cash flows from financing activities		
Proceeds from issuance of new shares under Employees' Share Option Scheme	1,261	706
Proceeds from borrowings	8,564	21,776
Repayment of borrowings	(8,805)	(31,965)
Repayment of lease liabilities	(11)	(63)
Interest paid	(2,493)	(1,677)
Interest received from derivatives	-	328
	<u>(1,484)</u>	<u>(10,895)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(22,364)	(23,518)
Cash and cash equivalents at beginning of the period	121,047	55,827
Effect of exchange rate fluctuations on balances held in foreign currencies	(716)	(222)
	<u>(716)</u>	<u>(222)</u>
Cash and cash equivalents at end of the period	<u>97,967</u>	<u>32,087</u>

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

1(c)(i) The values of assets and liabilities of a joint venture disposed of were as follows :

	1 Jan 08 to 31 Mar 08 S\$'000	1 Jan 07 to 31 Mar 07 S\$'000
Current assets	-	4,248
Non-current assets	-	39,667
Current liabilities	-	(2,827)
Non-current liabilities	-	(31,699)
Net assets sold	-	9,389
Gain on partial disposal	-	8,089
Professional fees incurred	-	143
Cash proceeds from sale	-	17,621
Less: Professional fees incurred	-	(143)
Less: Cash in a joint venture	-	(1,516)
Cash inflow on partial sale of interest in a joint venture	-	15,962

1 (d)(i) STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							Minority interests S\$'000	Total equity S\$'000
	Share capital	Capital reserves	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Revenue reserve	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
Group - 2008									
At 1.1.2008	95,820	1,064	(1,815)	(4,222)	9,419	139,506	239,772	7,295	247,067
Net fair value loss on derivative financial instruments	-	-	-	(718)	-	-	(718)	-	(718)
Foreign currency translation differences	-	-	(3,049)	-	-	-	(3,049)	(173)	(3,222)
Net expense recognised directly in equity	-	-	(3,049)	(718)	-	-	(3,767)	(173)	(3,940)
Net profit for the period	-	-	-	-	-	5,742	5,742	953	6,695
Total recognised income / (expense) for the period	-	-	(3,049)	(718)	-	5,742	1,975	780	2,755
Issue of shares for cash under Employees' Share Option Scheme	1,261	-	-	-	-	-	1,261	-	1,261
Cost of share-based payment	-	-	-	-	1,016	-	1,016	-	1,016
At 31.3.2008	97,081	1,064	(4,864)	(4,940)	10,435	145,248	244,024	8,075	252,099

Attributable to shareholders of the Company

	Share capital	Capital reserves	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
Group – 2007 (Restated)									
At 1.1.2007	91,142	987	(4,550)	(7,839)	6,288	115,054	201,082	18,553	219,635
Adoption of INT FRS 112	-	-	-	-	-	(1,481)	(1,481)	(88)	(1,569)
As restated	91,142	987	(4,550)	(7,839)	6,288	113,573	199,601	18,465	218,066
Recognised in income statement on maturity of financial instruments	-	-	-	3,752	-	-	3,752	-	3,752
Foreign currency translation differences	-	-	(301)	-	-	-	(301)	(27)	(328)
Net income / (expense) recognised directly in equity	-	-	(301)	3,752	-	-	3,451	(27)	3,424
Net profit for the period	-	-	-	-	-	1,160	1,160	143	1,303
Total recognised income / (expense) for the period	-	-	(301)	3,752	-	1,160	4,611	116	4,727
Issue of shares for cash under Employees' Share Option Scheme	706	-	-	-	-	-	706	-	706
Cost of share-based payment	-	-	-	-	703	-	703	-	703
At 31.3.2007	91,848	987	(4,851)	(4,087)	6,991	114,733	205,621	18,581	224,202

Attributable to shareholders of the Company

Share capital	Hedging reserve	Employee share option reserve	Revenue reserve	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

Company

At 1.1.2008	95,820	-	9,419	51,205	156,444
Net profit for the period	-	-	-	700	700
Total recognised income for the period	-	-	-	700	700
Issue of shares for cash under Employees' Share Option Scheme	1,261	-	-	-	1,261
Cost of share-based payment	-	-	1,016	-	1,016
At 31.3.2008	97,081	-	10,435	51,905	159,421

At 1.1.2007	91,142	563	6,288	46,313	144,306
Recognised in income statement on maturity of financial instruments	-	(563)	-	-	(563)
Net expense recognised directly in equity	-	(563)	-	-	(563)
Net profit for the period	-	-	-	7,634	7,634
Total recognised income / (expense) for the period	-	(563)	-	7,634	7,071
Issue of shares for cash under Employees' Share Option Scheme	706	-	-	-	706
Cost of share-based payment	-	-	703	-	703
At 31.3.2007	91,848	-	6,991	53,947	152,786

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. For the first quarter ended 31 March 2008, 736,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme") (quarter ended 31 March 2007: 772,000).
2. During the financial period and the previous corresponding period, no options were granted under the Scheme.
3. As at 31 March 2008, the number of outstanding and unexercised Options granted under the Scheme was 20,540,343 (31 March 2007: 21,277,843).
4. As at 31 March 2008, the Group is not holding any treasury shares (31 March 2007: Nil).

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2410, Review of Interim Financial Information Performed by Independent Auditors of the Entity

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group and the Company have consistently applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

Comparative figures in the financial statements have been restated from the previous year to reflect the adoption of the following new and revised accounting standards on 1 January 2007:

- FRS 40 Investment Property
- INT FRS 112 Service Concession Arrangements

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

There are no changes in the accounting policies and methods of computation.

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**

	1 Jan 08 to 31 Mar 08 Cents	1 Jan 07 to 31 Mar 07 Cents (Restated)
Earnings per ordinary share after deducting any provision for preference dividends were:		
Based on the weighted average of 523,842,027 (31 March 2007: 519,405,527) ordinary shares in issue; and	1.10	0.22
On a fully diluted basis of 529,247,983 (31 Mar 2007: 523,944,252) ordinary shares	1.08	0.22

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

	31 Mar 08 Cents	31 Dec 07 Cents
Net assets value per ordinary share of:		
Group	46.6	45.7
Company	30.4	30.0

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**

8(a) Income Statement Analysis

Revenue

The Group's revenue increased by more than five times to \$89.6 million for the quarter ended 31 March 2008, compared to \$17.5 million for the previous corresponding period due to stronger performance of the municipal sector.

Municipal sales increased significantly from \$8.7 million to \$70.3 million. Sales in MENA accounted for 56% of total revenue, while China contributed approximately 40% of total revenue for the quarter ended 31 March 2008.

Industrial sales increased from \$8.7 million to \$19.1 million this quarter.

Costs and Expenses

The Group maintains strong cost control mechanisms and whilst raw material and consumables costs at \$68.7 million have broadly increased in line with revenue, operating profit and cashflow have been enhanced.

Personnel expenses are in line with the Group's planned investments in human capital to support growth. Headcount increased from approximately 800 to 1,300, and cost increased from \$5.0 million to \$9.3 million.

Net unrealised foreign exchange gain of \$5.0 million recognised for the quarter ended 31 March 2008 was mainly due to the translation of a loan facility denominated in US dollar as a result of the weakening US dollar .

Depreciation and amortisation increased by 30% from \$1.6 million to \$2.1 million this quarter in line with the increase in property, plant and equipment and intangible assets.

Finance expenses increased by 24% to \$2.1 million this quarter due to the higher interest expenses on increased average bank borrowings as compared to the previous corresponding quarter.

There was a tax credit of \$1.1 million for the quarter ended 31 March 2008 due to tax refund received and write back of tax provision no longer required.

Overall, the net impact of the above resulted in profit after tax and minority interests for the Group of \$5.7 million for the quarter ended 31 March 2008, which is five times higher as compared to the previous corresponding quarter.

Earnings Per Share

Basic and fully diluted earnings per share increase five times to 1.10 cents and 1.08 cents respectively.

8(b) Balance Sheets Analysis

Group

Total equity

The Group's shareholders' equity increased to \$244.0 million as at 31 March 2008 from \$239.8 million as at 31 December 2007. The increase was mainly attributable to the net profit for this quarter.

Non-current assets

Non-current assets increased to \$284.2 million as at 31 March 2008 from \$224.2 million as at 31 December 2007. Property, plant and equipment increased by \$20.6 million due to the expansion of operations in China and MENA. Financial and lease receivables increased by \$12.7 million which were in line with the progress of construction of water plants in China. In addition, non-trade amount due from related parties increased due to loans granted to associates.

Non-current liabilities

Non-current liabilities increased to \$201.0 million as at 31 March 2008 from \$196.3 million as at 31 December 2007, resulting mainly from the increase in average bank borrowings during the quarter to support the Group's expansion.

Company

In January 2008, the Company transferred its manufacturing activities of the membrane systems to a wholly owned subsidiary. In line with this transfer of activities, the Company's balance sheet items related to the manufacturing activities would be transferred out. Going forward, the Company will only carry out investment holding related activities.

Shareholders' equity for the Company increased to \$159.4 million from \$156.4 million as at 31 December 2007. New shares of approximately \$1.3 million were issued during this quarter, whilst the employee share option reserve increased by \$1.0 million.

8(c) Cash flow Statement

The Group's cash position as of 31 March 2008 was \$98.0 million, up by \$65.9 million compared to 31 March 2007.

In 2008, the Group generated cash of \$32.5 million from its operations mainly due to the increase in operating profit for the current quarter and improvement in working capital. Cash used in investing activities for this quarter was mainly on the acquisition of property, plant and equipment to support the Group's expansion as well as increase in non-trade balance with related parties. Cash used in financing activities was mainly due to the repayment of borrowings as well as payment of interest expenses.

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

Not applicable.

10. A commentary at the date of the announcement of the 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

Fundamentals of environmental and water industries remained favorable and outlook in the medium term continue to be positive.

Municipal sector in China and Middle East and North Africa ("MENA") remained robust as the Group continues to secure water and seawater desalination projects in these two key regions. Subsidiaries of the Group are engaged in engineering, procurement and construction as well as in the operation and maintenance of these plants, which will generate recurring revenue stream in the next 25 to 30 years.

In China, pipeline of water projects remained steady with the announcement of 8 additional water plants secured in Jiangxi, Hunan, Jiangsu, Liaoning, Anhui and Shandong provinces from January 2008 to April 2008.

In MENA, the Group has successfully won the bid for the world's largest seawater desalination plant in Magtaa, Oran Region, Western Algeria. This significant win will further strengthen the Group's position in MENA region. The construction of our first seawater desalination project in Tlemcen, Algeria, is progressing according to schedule.

Projects in our industrial and energy sectors are making good progress.

Taking into account the current economic uncertainty, the Group closely monitor and manage any factors that may have an impact on our operations.

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/recommendeded, a statement to that effect

Not applicable.

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 financial results for the quarter ended 31 March 2008 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Yang Ai Chian
Company Secretary
13 May 2008