



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For Third Quarter And Nine Months Ended 30 September 2009

The Directors of Hyflux Ltd wish to announce the unaudited results of the Group for third quarter and nine months ended 30 September 2009.

1 (a)(i) CONSOLIDATED INCOME STATEMENT for third quarter and nine months ended 30 September 2009

	<u>The Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	126,525	177,417	(29)	349,192	375,069	(7)
Other income	1,725	940	84	4,855	2,518	93
Changes in inventories of finished goods and work-in-progress	515	997	NM	3,466	(1,962)	NM
Raw materials and consumables used and subcontractors' cost	(81,706)	(129,755)	(37)	(214,101)	(251,377)	(15)
Staff costs	(12,598)	(14,408)	(13)	(39,866)	(38,559)	3
Depreciation and amortisation	(2,974)	(2,503)	19	(7,862)	(6,498)	21
Other expenses	(11,441)	(6,764)	69	(36,107)	(16,782)	115
Finance costs	(1,683)	(2,230)	(25)	(6,613)	(6,069)	9
Share of profit/(loss) of associates, net of tax	944	(544)	NM	1,694	(533)	NM
Profit before tax [Note 1(a)(iii)]	19,307	23,150	(17)	54,658	55,807	(2)
Taxation	(1,186)	(4,641)	(74)	(4,960)	(6,712)	(26)
Profit for the period	18,121	18,509	(2)	49,698	49,095	1
Profit attributable to:						
Shareholders of the Company	18,130	17,328	5	49,135	45,628	8
Minority interests	(9)	1,181	NM	563	3,467	NM
	18,121	18,509	(2)	49,698	49,095	1

NM: Not meaningful

1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the third quarter and nine months ended 30 September 2009

	<u>The Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	18,121	18,509	(2)	49,698	49,095	1
Other comprehensive income						
Exchange differences on translation of foreign operations	(11,322)	8,259	NM	(2,696)	7,367	NM
Cash flow hedges						
Net loss/(gain) arising during the financial period	2,540	(6,570)	NM	(662)	(6,570)	NM
Net loss transferred to profit or loss	946	614	NM	6,069	614	NM
Share of cash flow hedges of associates	(344)	(1,459)	NM	865	217	NM
Share of statutory reserve of associates	-	-	NM	102	-	NM
Other comprehensive income for the period, net of tax	(8,180)	844	NM	3,678	1,628	NM
Total comprehensive income for the period	9,941	19,353	(49)	53,376	50,723	5
Total comprehensive income attributable to:						
Shareholders of the Company	10,264	17,635	(42)	53,048	46,784	13
Minority interests	(323)	1,718	NM	328	3,939	NM
	9,941	19,353	(49)	53,376	50,723	5

NM: Not meaningful

NOTES TO CONSOLIDATED INCOME STATEMENT

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

	<u>The Group</u>					
	<u>Quarter ended 30 Sep</u>			<u>Nine months ended 30 Sep</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Fair value loss on derivative financial instruments	-	(171)	NM	-	(509)	NM
Finance income	865	865	-	2,731	2,270	20
Write back/(Impairment) of trade and other receivables	11	(1,669)	NM	59	(1,689)	NM
Net foreign exchange (loss)/gain	(3,153)	4,069	NM	(2,187)	9,655	NM
Net (loss)/gain on disposal of property, plant and equipment (Provision)/Write-back of inventory obsolescence	(23)	109	NM	(28)	62	NM
	(2)	(1)	NM	(8)	4	NM

NM: Not meaningful

1(b)(i) STATEMENTS OF FINANCIAL POSITION as at 30 September 2009

	<u>The Group</u>		<u>The Company</u>	
	<u>30 Sep 09</u>	<u>31 Dec 08</u>	<u>30 Sep 09</u>	<u>31 Dec 08</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
<u>Non-current assets</u>				
Property, plant and equipment	71,347	56,857	-	8
Intangible assets	84,388	66,523	1,818	1,826
Investment property	2,148	2,244	-	-
Investments in subsidiaries	-	-	131,073	131,073
Investment in joint venture	-	-	3,125	2,375
Investments in associates	109,674	94,716	12,837	12,608
Other investments	908	908	899	899
Financial and lease receivables	235,042	194,204	-	-
Trade and other receivables	50,741	44,137	19,522	19,832
Deferred tax assets	2,707	2,799	-	-
Total non-current assets	556,955	462,388	169,274	168,621
<u>Current assets</u>				
Gross amounts due for contract work	69,608	93,987	-	-
Inventories	31,955	33,827	-	-
Financial and lease receivables	8,876	3,248	-	-
Trade and other receivables	182,358	151,531	485,578	362,077
Cash and fixed deposits	129,549	90,740	14,377	18,242
Assets classified as held for sale	-	10,834	-	-
Total current assets	422,346	384,167	499,955	380,319
<u>Current liabilities</u>				
Trade and other payables	230,629	268,234	222,806	118,882
Financial liabilities	29,740	50,344	29,684	49,524
Tax payable	3,591	5,925	-	-
Liabilities classified as held for sale	-	1	-	-
Total current liabilities	263,960	324,504	252,490	168,406
Net current assets	158,386	59,663	247,465	211,913
<u>Non-current liabilities</u>				
Financial liabilities	359,556	207,892	259,065	206,170
Deferred tax liabilities	6,415	6,260	159	159
Total non-current liabilities	365,971	214,152	259,224	206,329
Net assets	349,370	307,899	157,515	174,205
<u>Equity attributable to shareholders of the Company</u>				
Share capital	100,798	99,118	100,798	99,118
Treasury shares	(1,292)	-	(1,292)	-
Retained earnings	213,608	182,493	41,940	62,116
Foreign currency translation reserve	6,796	9,257	-	-
Hedging reserve	(7,224)	(13,496)	-	-
Employee share option reserve	16,069	12,971	16,069	12,971
Capital reserve	7,306	7,204	-	-
	336,061	297,547	157,515	174,205
Minority interests	13,309	10,352	-	-
Total equity	349,370	307,899	157,515	174,205
<i>Group net borrowings (S\$)</i>	259,747	167,496	n.a.	n.a.
<i>Group net gearing (times)</i>	0.74x	0.54x	n.a.	n.a.

NOTES TO STATEMENTS OF FINANCIAL POSITION

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

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

30 Sep 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
56	29,684	820	49,524

(ii) Amount repayable after one year

30 Sep 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,466	358,090	1,505	206,387

Details of any collateral

A subsidiary's bank loan is secured by a lien over its inventories and receivables and certain cash balances of the subsidiary.

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the third quarter and nine months ended 30 September 2009

	<u>The Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	19,307	23,150	54,658	55,807
Adjustments:				
Equity-settled share-based payment transactions	883	692	3,098	2,621
Fair value loss on derivative financial instruments	-	171	-	509
Net loss/(gain) on disposal of property, plant and equipment	23	(109)	28	(62)
Share of (profit)/loss of associates, net of tax	(944)	544	(1,694)	533
Depreciation and amortisation	2,974	2,503	7,862	6,498
Finance costs	1,683	2,230	6,613	6,069
Finance income	(865)	(865)	(2,731)	(2,270)
(Write back)/Impairment of trade and other receivables	(11)	1,669	(59)	1,689
Provision/(Write-back) of inventory obsolescence	2	1	8	(4)
Operating cash flows before working capital changes	<u>23,052</u>	<u>29,986</u>	<u>67,783</u>	<u>71,390</u>
Changes in working capital :				
Inventories	(1,817)	(8,464)	3,494	(10,498)
Gross amounts due for contract work	(21,573)	(8,116)	24,379	34,041
Trade and other receivables	10,308	46,435	(31,879)	(66,216)
Financial and lease receivables	(7,324)	(58,105)	(37,959)	(141,899)
Lease prepayment	(13)	(1,841)	1,052	(1,841)
Trade and other payables	(29,415)	12,873	(25,112)	133,838
Cash generated from operations	(26,782)	12,768	1,758	18,815
Income taxes paid	(3,166)	(1,396)	(6,989)	(780)
Cash flows from operating activities	<u>(29,948)</u>	<u>11,372</u>	<u>(5,231)</u>	<u>18,035</u>
Investing activities				
Purchase of property, plant and equipment	(1,321)	(3,152)	(6,506)	(14,475)
Acquisition of intangible assets	(6,918)	(19,775)	(16,462)	(33,609)
Proceeds from sale of property, plant and equipment	63	130	142	136
Acquisition of a subsidiary, net of cash acquired [Note 1(c)(i)]	(12,514)	-	(12,514)	-
Acquisition of associates	-	(625)	(19,483)	(8,248)
Due from related parties (non-trade)	(6,797)	(5,788)	(12,137)	(29,680)
Dividends received from associates	840	900	840	1,641
Interest received	636	865	2,502	2,270
Cash flows from investing activities	<u>(26,011)</u>	<u>(27,445)</u>	<u>(63,618)</u>	<u>(81,965)</u>

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the third quarter and nine months ended 30 September 2009 (cont'd)

	<u>The Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Financing activities				
Proceeds from issuance of new shares under Employee Share Option Scheme	710	101	1,680	3,213
Purchase of treasury shares	(1,292)	-	(1,292)	-
Proceeds from borrowings	175,610	25,855	391,281	73,603
Repayment of borrowings	(106,153)	(10,475)	(256,191)	(23,927)
Repayment of finance lease liabilities	(20)	(36)	(79)	(82)
Interest paid	(2,532)	(2,282)	(8,551)	(8,683)
Dividends paid to shareholders of the Company	-	-	(18,020)	(9,909)
Cash flows from financing activities	66,323	13,163	108,828	34,215
Net increase/(decrease) in cash and cash equivalents	10,364	(2,910)	39,979	(29,715)
Cash and cash equivalents at beginning of the period	120,348	93,631	91,480	121,047
Effect of exchange rate changes	(1,163)	3,203	(1,910)	2,592
Cash and cash equivalents at end of the period	129,549	93,924	129,549	93,924

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1(c)(i) The values of assets and liabilities of a subsidiary acquired were as follows:

	<u>The Group</u>			
	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets	2,090	-	2,090	-
Non-current assets	18,219	-	18,219	-
Current liabilities	(4,844)	-	(4,844)	-
Net identifiable assets and liabilities	15,465	-	15,465	-
Minority interest	(2,629)	-	(2,629)	-
Goodwill on acquisition	8,198	-	8,198	-
Amount previously accounted for as investments in associates	(8,228)	-	(8,228)	-
Cash consideration paid, satisfied in cash	12,806	-	12,806	-
Cash acquired	(292)	-	(292)	-
Net cash outflow	12,514	-	12,514	-

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

	Share capital	Treasury shares	Retained earnings	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Capital reserve	Total attributable to shareholders of the Company	Minority interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2009	99,118	-	182,493	9,257	(13,496)	12,971	7,204	297,547	10,352	307,899
Issue of shares for cash under Employee Share Option Scheme	970	-	-	-	-	-	-	970	-	970
Value of employee services received for issue of share option	-	-	-	-	-	2,215	-	2,215	-	2,215
Total comprehensive income/(loss) for the period	-	-	31,005	8,547	3,130	-	102	42,784	651	43,435
Dividends	-	-	(18,020)	-	-	-	-	(18,020)	-	(18,020)
At 30.06.2009	100,088	-	195,478	17,804	(10,366)	15,186	7,306	325,496	11,003	336,499
Issue of shares for cash under Employee Share Option Scheme	710	-	-	-	-	-	-	710	-	710
Purchase of treasury shares	-	(1,292)	-	-	-	-	-	(1,292)	-	(1,292)
Value of employee services received for issue of share option	-	-	-	-	-	883	-	883	-	883
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,629	2,629
Total comprehensive income/(loss) for the period	-	-	18,130	(11,008)	3,142	-	-	10,264	(323)	9,941
At 30.09.2009	100,798	(1,292)	213,608	6,796	(7,224)	16,069	7,306	336,061	13,309	349,370
At 1.1.2008	95,820	-	139,506	(1,815)	(4,222)	9,419	1,064	239,772	7,295	247,067
Issue of shares for cash under Employee Share Option Scheme	3,112	-	-	-	-	-	-	3,112	-	3,112
Value of employee services received for issue of share option	-	-	-	-	-	1,929	-	1,929	-	1,929
Total comprehensive income/(loss) for the period	-	-	28,300	(827)	1,676	-	-	29,149	2,221	31,370
Dividends	-	-	(9,909)	-	-	-	-	(9,909)	-	(9,909)
At 30.06.2008	98,932	-	157,897	(2,642)	(2,546)	11,348	1,064	264,053	9,516	273,569
Issue of shares for cash under Employee Share Option Scheme	101	-	-	-	-	-	-	101	-	101
Value of employee services received for issue of share option	-	-	-	-	-	692	-	692	-	692
Total comprehensive income/(loss) for the period	-	-	17,328	7,722	(7,415)	-	-	17,635	1,718	19,353
At 30.09.2008	99,033	-	175,225	5,080	(9,961)	12,040	1,064	282,481	11,234	293,715

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

	Share capital	Treasury shares	Retained earnings	Employee share option reserve	Total attributable to shareholders of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2009	99,118	-	62,116	12,971	174,205
Issue of shares for cash under Employee Share Option Scheme	970	-	-	-	970
Value of employee services received for issue of share option	-	-	-	2,215	2,215
Total comprehensive income / (loss) for the period	-	-	(3,317)	-	(3,317)
Dividends	-	-	(18,020)	-	(18,020)
At 30.06.2009	100,088	-	40,779	15,186	156,053
Issue of shares for cash under Employee Share Option Scheme	710	-	-	-	710
Purchase of treasury shares	-	(1,292)	-	-	(1,292)
Value of employee services received for issue of share option	-	-	-	883	883
Total comprehensive income / (loss) for the period	-	-	1,161	-	1,161
At 30.09.2009	100,798	(1,292)	41,940	16,069	157,515
At 1.1.2008	95,820	-	51,205	9,419	156,444
Issue of shares for cash under Employee Share Option Scheme	3,112	-	-	-	3,112
Value of employee services received for issue of share option	-	-	-	1,929	1,929
Total comprehensive income / (loss) for the period	-	-	(51)	-	(51)
Dividends	-	-	(9,909)	-	(9,909)
At 30.06.2008	98,932	-	41,245	11,348	151,525
Issue of shares for cash under Employee Share Option Scheme	101	-	-	-	101
Value of employee services received for issue of share option	-	-	-	692	692
Total comprehensive income / (loss) for the period	-	-	(2,805)	-	(2,805)
At 30.09.2008	99,033	-	38,440	12,040	149,513

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

- For the third quarter ended 30 Sep 2009, 418,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme") (third quarter ended 30 Sep 2008: 19,000). For the nine months ended 30 Sep 2009, 1,459,000 shares were issued pursuant to the Scheme (nine months ended 30 Sep 2008: 1,811,000).
- For the third quarter ended 30 Sep 2009, no share options were granted under the Scheme (third quarter ended 30 Sep 2008: Nil). For the nine months ended 30 Sep 2009, 1,680,000 share options were granted under the Scheme (nine months ended 30 Sep 2008: 3,610,000).
- During the third quarter and nine months ended 30 Sep 2009, the Company acquired 500,000 of its shares by way of market acquisition (third quarter and nine months ended 30 Sep 2008: Nil).
- As at 30 Sep 2009, the number of outstanding and unexercised options granted under the Scheme was 26,034,593 (30 Sep 2008: 22,555,343).
- As at 30 Sep 2009, the number of outstanding and unexercised warrants granted under the Warrant Subscription Agreements ("Agreements") was 41,216,863 (30 Sep 2008: 41,216,863). No warrants were exercised under the Agreements during the third quarter and nine months ended 30 Sep 2009.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of shares held as treasury shares as at 30 Sep 2009 was 500,000 (31 Dec 2008: Nil).

The total number of issued shares excluding treasury shares as at 30 Sep 2009 was 526,230,360 (31 Dec 2008: 525,271,360).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 Sep 2009.

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

Except as disclosed in paragraph 5 below, the Group and the Company have consistently applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group and the Company adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2009. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS which are relevant to the Group and the Company:

FRS 1 (Revised)	Presentation of Financial Statements
Amendments to FRS 23	Borrowing Costs
Amendments to FRS102	Share-based Payment - Vesting Conditions and Cancellations
FRS 108	Operating Segments
Improvements to FRSs 2008	

The adoption of the above FRS did not result in any substantial change to the Group's and the Company's accounting policies or any significant impact on the financial statements.

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

Earnings per ordinary share after deducting any provision for preference dividends were:

	<u>Quarter ended 30 Sep</u>		<u>Nine months ended 30 Sep</u>	
	2009	2008	2009	2008
	Cents	Cents	Cents	Cents
Based on the weighted average of 525,744,804 (30 Sep 2008: 524,579,249) ordinary shares in issue; and	3.45	3.30	9.35	8.70
On a fully diluted basis of 529,345,777 (30 Sep 2008: 542,711,589) ordinary shares	<u>3.35</u>	<u>3.22</u>	<u>9.28</u>	<u>8.41</u>

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.

	30 Sep 09	31 Dec 08
	Cents	Cents
Net assets value per ordinary share of:		
<i>Based on 526,230,360 (31 Dec 2008: 525,271,360) ordinary shares in issue</i>		
Group	63.9	56.7
Company	<u>29.9</u>	<u>33.2</u>

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

8(a) Income Statement Analysis

Third quarter review

The Group achieved revenue of \$126.5 million and profit attributable to shareholders of the Company increased by 5% from \$17.3 million for the third quarter ended 30 Sep 2008 to \$18.1 million for the third quarter ended 30 Sep 2009.

8(a)(i) Revenue

The Group's revenue for the third quarter ended 30 Sep 2009 decreased by 29% to \$126.5 million as compared to \$177.4 million for the third quarter ended 30 Sep 2008.

Sector Review

Revenue from the municipal sector decreased by 27% from \$154.3 million to \$113.3 million and contributed 90% to the Group's revenue. The decrease is primarily due to the slow down in the China market. In the corresponding period last year, the revenue contribution from China market reflected the contribution from the Tianjin Dagang Desalination Plant. The plant, the largest membrane-based desalination plant in China, has since been completed. Revenue from China and Middle East and North Africa's ("MENA") municipal sector was \$17.8 million and \$90.1 million respectively for the third quarter ended 30 Sep 2009.

Revenue from industrial sector decreased by 43% from \$22.4 million for the third quarter ended 30 Sep 2008 to \$12.7 million for the third quarter ended 30 Sep 2009. This was mainly attributed to the economic slow down in China's industrial sector and timing of order delivery.

Geographical review

China accounted for 24% of total revenue, while MENA contributed approximately 72% of total revenue for the third quarter ended 30 Sep 2009.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs decreased by 37% from \$129.8 million for the third quarter ended 30 Sep 2008 to \$81.7 million for the third quarter ended 30 Sep 2009 which was in line with the decrease in sales volume.

Staff costs fell by 13% for the third quarter ended 30 Sep 2009 largely due to the corresponding reduction in the volume of contract work in China.

Finance costs decreased from \$2.2 million for the third quarter ended 30 Sep 2008 to \$1.7 million for the third quarter ended 30 Sep 2009 due to lower interest rates on bank borrowings.

Other expenses increased from \$6.8 million for the third quarter ended 30 Sep 2008 to \$11.4 million for the third quarter ended 30 Sep 2009 mainly due to the net foreign exchange loss incurred.

The tax charge for the third quarter ended 30 Sep 2009 was lower than the amount that would arise by applying the Singapore corporate tax rate mainly due to the tax exemptions and incentives enjoyed by certain entities in the Group.

8(a)(iii) Earnings

Basic and fully diluted earnings per share for the third quarter ended 30 Sep 2009 increased by 5% and 4% respectively to 3.45 cents and 3.35 cents respectively compared to the third quarter ended 30 Sep 2008.

Nine months review

The Group recorded a revenue of \$349.2 million and profit attributable to shareholders of the Company of \$49.1 million for the nine months ended 30 Sep 2009.

8(a)(iv) Revenue

The Group's revenue for the nine months ended 30 Sep 2009 decreased by 7% to \$349.2 million as compared to \$375.1 million for the nine months ended 30 Sep 2008.

Sector Review

Revenue from the municipal sector decreased marginally by 2% from \$311.3 million for the nine months ended 30 Sep 2008 to \$305.0 million for the nine months ended 30 Sep 2009 and contributed 87% to the Group's revenue. The decrease was primarily due to a slow down in the China market. Revenue from China and MENA's municipal sector for the nine months ended 30 Sep 2009 was \$74.0 million and \$220.7 million respectively.

Revenue from industrial sector decreased by 32% from \$62.8 million for the nine months ended 30 Sep 2008 to \$42.8 million for the nine months ended 30 Sep 2009. This was mainly attributed to the economic slow down in China's industrial sector and timing of order delivery.

Geographical review

China accounted for 33% of the total revenue, while MENA contributed approximately 64% of the total revenue for the nine months ended 30 Sep 2009.

8(a)(v) Costs and expenses

Raw materials and consumables used and subcontractors' costs decreased by 15% from \$251.4 million for the nine months ended 30 Sep 2008 to \$214.1 million for the nine months ended 30 Sep 2009, in line with the decrease in sales volume.

Staff costs increased from \$38.6 million for the nine months ended 30 Sep 2008 to \$39.9 million for the nine months ended 30 Sep 2009 in preparation for the execution of the world's largest seawater desalination plant and new staff for operation and maintenance for newly completed plants.

Finance costs increased from \$6.1 million for the nine months ended 30 Sep 2008 to \$6.6 million for the nine months ended 30 Sep 2009 due to higher bank borrowings.

Other expenses increased from \$16.8 million for the nine months ended 30 Sep 2008 to \$36.1 million for nine months ended 30 Sep 2009 due to higher projects tender fees, bank charges, selling expenses, and foreign exchange differences.

The effective tax rate for the nine months ended 30 Sep 2009 was normalised to about 9% and remained at a level lower than the Singapore corporate tax rate mainly due to the tax exemptions and incentives enjoyed by certain entities in the Group.

8(a)(vi) Earnings

Basic and fully diluted earnings per share for the nine months ended 30 Sep 2009 increased by 7% and 10% respectively to 9.35 cents and 9.28 cents respectively compared to the nine months ended 30 Sep 2008.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$336.1 million as at 30 Sep 2009 from \$297.5 million as at 31 Dec 2008. The increase was mainly attributable to the net profit for the nine months ended 30 Sep 2009.

Current assets increased to \$422.3 million as at 30 Sep 2009 from \$384.2 million as at 31 Dec 2008, mainly due to increases in trade-related receivables and cash and fixed deposits.

Non-current assets increased to \$557.0 million as at 30 Sep 2009 from \$462.4 million as at 31 Dec 2008. Financial and lease receivables increased by \$40.8 million, which was in line with the progress of construction of water plants in China. Property, plant and equipment and intangible assets increased by \$14.5 million and \$17.9 million respectively, mainly due to the acquisition of a subsidiary during the financial period. In addition, investments in associates increased due to additional capital injections to associates and share of results of associates.

Current liabilities decreased to \$264.0 million as at 30 Sep 2009 from \$324.5 million as at 31 Dec 2008, mainly due to the decreases in trade-related payables and bank borrowings during the financial period.

Non-current liabilities increased to \$366.0 million as at 30 Sep 2009 from \$214.2 million as at 31 Dec 2008, resulting mainly from the increase in bank borrowings during the financial period to support the Group's expansion and investment activities. Included in the financial liabilities as at 30 Sep 2009 was \$148.5 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012 and 2014.

The Group's net gearing ratio as at 30 Sep 2009 remained at a stable level of 0.7 times.

8(b)(ii) The Company

Shareholders' equity for the Company decreased to \$157.5 million as at 30 Sep 2009 from \$174.2 million as at 31 Dec 2008. The decrease was mainly due to the dividend payment of \$18.0 million during the second quarter ended 30 Jun 2009.

8(c) Statement of Cash flows

Third quarter and nine months

The Group's cash position increased to \$129.5 million as at 30 Sep 2009 from \$90.7 million as at 31 Dec 2008.

For the third quarter and nine months ended 30 Sep 2009, net cash of \$29.9 million and \$5.2 million respectively was used mainly for the Group's working capital requirements. Cash used in investing activities for the financial period was largely for capital expenditure of property, plant and equipment and intangible assets to support the Group's expansion and investments in subsidiaries and associates. Cash from financing activities for the third quarter and nine months ended 30 Sep 2009 arose mainly from borrowing proceeds to fund the Group's investments.

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

The global environmental and water industry outlook remains encouraging despite uneven growth following the global economic downturn.

The municipal sector continues to be the key contributor to the Group's revenue, particularly from MENA, which is experiencing increasing demand growth prospects. The Group's desalination and water projects in MENA and China are progressing within expectations.

The performance of industrial sector remains lacklustre as a result of continued weakness in the industrial segment in China.

While business conditions have stabilised, we believe that inherent risks remain. The Group continues to execute its order book diligently and focus on technology development, and is confident of its core stream of revenue from Engineering, Procurement and Construction ("EPC") and Operation & Maintenance ("O&M") strategic business units. The Group will continue to monitor and manage its exposure arising from the weakening US dollar and potential increases in commodity prices.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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 30 Sep 2009 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
4 November 2009