



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Financial Year Ended 31 December 2008

The Directors of Hyflux Ltd wish to announce the unaudited results of the Group for the financial year ended 31 December 2008.

1 (a)(i) CONSOLIDATED INCOME STATEMENT for the financial year ended 31 December 2008

	31 Dec 08 S\$'000	31 Dec 07 S\$'000	Change %
Revenue	554,224	192,786	187%
Changes in inventories of finished goods and work in progress	3,710	1,246	198%
Raw materials and consumables	(387,767)	(107,244)	262%
Personnel expenses	(52,606)	(33,852)	55%
Depreciation, amortisation and impairment	(9,718)	(7,198)	35%
Finance income	4,770	2,548	87%
Finance expenses	(10,222)	(8,878)	15%
Fair value loss on derivative financial instruments	(680)	(3,532)	(81%)
Share of (loss)/profit of associates	(1,400)	1,277	NM
Other operating expenses	(30,388)	(9,369)	224%
Other income	494	108	357%
Gain on sale of partial interest in a joint venture [Note 1(a)(iii)]	-	8,185	NM
Net loss on sale of property, plant and equipment	(42)	(4)	NM
Negative goodwill on acquisition of business	-	2,620	NM
Profit before taxation [Note 1(a)(ii)]	70,375	38,693	82%
Taxation	(8,157)	(2,048)	298%
Profit after taxation	62,218	36,645	70%
Attributable to:			
Shareholders of the Company	59,036	32,949	79%
Minority interests	3,182	3,696	(14%)
	62,218	36,645	70%

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: -

	<u>The Group</u>	
	31 Dec 08	31 Dec 07
	S\$'000	S\$'000
Impairment of trade and other receivables	(6,857)	(45)
Provision for inventory obsolescence and inventory written down	(366)	(657)
Foreign exchange gain - net	<u>10,119</u>	<u>8,799</u>

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

	<u>The Group</u>	
	31 Dec 08	31 Dec 07
	S\$'000	S\$'000
Cash received from sale	-	17,717
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	-	(143)
Gain on sale of partial interest in a joint venture	<u>-</u>	<u>8,185</u>

1(b)(i) BALANCE SHEETS

	The Group		The Company	
	31 Dec 08 S\$'000	31 Dec 07 S\$'000	31 Dec 08 S\$'000	31 Dec 07 S\$'000
<u>Non-current assets</u>				
Property, plant and equipment	56,857	62,573	8	7,612
Investment property	2,244	2,373	-	-
Intangible assets	66,523	40,499	1,826	4,182
Investments in subsidiaries	-	-	131,073	134,377
Investments in joint venture	-	-	2,375	1,125
Investments in associates	94,716	85,783	12,608	12,277
Long term investments	908	7,917	899	899
Financial and lease receivables	194,204	9,570	-	-
Lease prepayment	4,939	-	-	-
Trade receivables	2,872	-	-	-
Due from related parties (non-trade)	36,326	-	19,832	18,833
Deferred tax assets	2,799	1,218	-	-
Total non-current assets	462,388	209,933	168,621	179,305
<u>Current assets</u>				
Gross amounts due for contract work	93,987	93,257	-	9,527
Inventories	33,827	20,641	-	17,498
Trade receivables	41,017	46,110	16	1,148
Financial and lease receivables	3,248	187	-	-
Other receivables and deposits	41,313	34,773	1,574	3,377
Prepayments	1,868	3,549	913	1,327
Due from related parties (trade)	43,939	15,216	19,605	22,673
Due from related parties (non-trade)	23,394	4,787	339,969	155,412
Cash and fixed deposits	90,740	121,047	18,242	6,074
Assets classified as held for sale	10,834	-	-	-
Total current assets	384,167	339,567	380,319	217,036
<u>Current liabilities</u>				
Trade payables	214,651	55,022	26	1,172
Other payables and accruals	22,252	17,747	4,208	3,304
Progress payments from customers	13,343	25,989	-	2,080
Interest-bearing loans and borrowings	50,245	5,245	49,524	5,000
Finance lease liabilities	99	104	-	-
Due to related parties (trade)	6,458	-	58	845
Due to related parties (non-trade)	11,530	1,796	114,590	36,741
Tax payable	5,925	202	-	-
Liabilities classified as held for sale	1	-	-	-
Total current liabilities	324,504	106,105	168,406	49,142
Net current assets	59,663	233,462	211,913	167,894
<u>Non-current liabilities</u>				
Interest-bearing loans and borrowings	207,819	193,266	206,170	190,596
Finance lease liabilities	73	187	-	-
Deferred tax liabilities	6,260	2,875	159	159
Total non-current liabilities	214,152	196,328	206,329	190,755
Net assets	307,899	247,067	174,205	156,444

	<u>The Group</u>		<u>The Company</u>	
	<u>31 Dec 08</u> <u>S\$'000</u>	<u>31 Dec 07</u> <u>S\$'000</u>	<u>31 Dec 08</u> <u>S\$'000</u>	<u>31 Dec 07</u> <u>S\$'000</u>
<u>Equity attributable to shareholders of the Company</u>				
Share capital	99,118	95,820	99,118	95,820
Capital reserves	7,204	1,064	-	-
Foreign currency translation reserve	9,257	(1,815)	-	-
Hedging reserve	(13,496)	(4,222)	-	-
Employee share option reserve	12,971	9,419	12,971	9,419
Revenue reserve	182,493	139,506	62,116	51,205
Shareholders' equity	297,547	239,772	174,205	156,444
Minority interests	10,352	7,295	-	-
Total equity	307,899	247,067	174,205	156,444
<i>Group net borrowings (S\$)</i>	167,496	77,755	n.a.	n.a.
<i>Group net gearing (times)</i>	0.54x	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 Dec 08		31 Dec 07	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
820	49,524	104	5,245

(ii) Amount repayable after one year

31 Dec 08		31 Dec 07	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,505	206,387	2,857	190,596

Details of any collateral

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

1(c) CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended 31 December 2008

	<u>The Group</u>	
	31 Dec 08	31 Dec 07
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	70,375	38,693
Adjustments:		
Cost of share-based payment	3,552	3,131
Fair value loss on derivative financial instruments	680	3,532
Gain on sale of partial interest in a joint venture	-	(8,185)
Net loss on sale of property, plant and equipment	42	4
Share of loss/(profit) of associates	1,400	(1,277)
Depreciation, amortisation and impairment	9,718	7,198
Finance expenses	10,222	8,878
Finance income	(4,770)	(2,548)
Negative goodwill on acquisition of business	-	(2,620)
Impairment of trade and other receivables	6,857	45
Provision for inventory obsolescence and inventory written down	366	657
Goodwill arising from acquisition of interests from minority interests written off	-	242
	<u>98,442</u>	<u>47,750</u>
Operating cash flows before working capital changes		
Working Capital Changes :		
Inventories	(13,543)	(10,105)
Gross amounts due for contract work	(4,499)	(44,834)
Trade receivables	241	(12,925)
Financial and lease receivables	(190,011)	65,261
Lease prepayment	(909)	-
Other receivables, deposits and prepayments	(7,744)	(13,572)
Due from related parties (trade)	(23,300)	(2,153)
Trade payables	159,629	20,165
Other payables and accruals	25,473	4,341
Progress payments from customers	(12,646)	22,631
Derivative financial instruments	-	111
	<u>(67,309)</u>	<u>28,920</u>
Total working capital changes		
Cash generated from operating activities	31,133	76,670
Tax paid	(1,276)	(2,138)
	<u>29,857</u>	<u>74,532</u>
Net cash generated from operating activities		

	<u>The Group</u>	
	31 Dec 08	31 Dec 07
	S\$'000	S\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,792)	(30,393)
Acquisition of intangible assets	(30,006)	(278)
Sale of a joint venture, net of cash disposed [Note 1(c)(i)]	-	16,059
Proceeds from sale of property, plant and equipment	791	78
Acquisition of long term investments	-	(1,919)
Acquisition of associates	(5,869)	(90,949)
Acquisition of subsidiaries/businesses, net of cash acquired [(Note 1(c)(ii)]	-	(36,012)
Due from related parties (non-trade)	(45,199)	-
Dividends received from associates	2,451	1,158
Interest received	4,770	2,047
	<u>(91,854)</u>	<u>(140,209)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issuance of new shares under Employee's Share Option Scheme	3,298	4,678
Proceeds from borrowings	100,510	168,291
Repayment of borrowings	(49,825)	(27,532)
Repayment of finance lease liabilities	(119)	(286)
Interest paid	(12,100)	(8,878)
Interest received from derivatives	-	501
Dividends paid to shareholders of the Company	(9,909)	(7,016)
Dividends paid to minority interests of subsidiaries	(609)	-
	<u>31,246</u>	<u>129,758</u>
Net cash generated from financing activities		
Net (decrease)/ increase in cash and cash equivalents	(30,751)	64,081
Cash and cash equivalents at beginning of the year	121,047	55,827
Effect of exchange rate changes	1,184	1,139
	<u>1,184</u>	<u>1,139</u>
Cash and cash equivalents at end of the year [Note 1(c)(iii)]	<u>91,480</u>	<u>121,047</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 :

	<u>The Group</u>	
	31 Dec 08 S\$'000	31 Dec 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	-	8,185
Professional fees incurred	-	143
Cash proceeds from sale	-	17,717
Less: Professional fees incurred	-	(143)
Less: Cash in joint venture	-	(1,515)
Cash inflow on partial sale of interest in a joint venture	-	16,059

1(c)(ii) The values of assets and liabilities of business acquired were as follows :

	<u>The Group</u>	
	31 Dec 08 S\$'000	31 Dec 07 S\$'000
Cash	-	4,594
Current assets	-	36,231
Non-current assets	-	24,228
Current liabilities	-	(9,516)
Non-current liabilities	-	(12,553)
Fair value of net assets acquired	-	42,984
Positive goodwill	-	242
Negative goodwill	-	(2,620)
Purchase consideration	-	40,606
Less: Cash of subsidiaries acquired	-	(4,594)
Net cash outflow on acquisitions of subsidiaries/businesses	-	36,012

1(c)(iii) Cash and cash equivalents at end of the year :

	<u>The Group</u>	
	31 Dec 08 S\$'000	31 Dec 07 S\$'000
Cash and fixed deposits as per balance sheet	90,740	121,047
Cash and fixed deposits of disposal group	740	-
Cash and fixed deposits as per cash flow statement	91,480	121,047

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

	Attributable to shareholders of the Company						Minority interests	Total equity	
	Share capital	Capital reserves	Foreign currency translation reserve	Hedging reserve	Employee share option reserve	Revenue reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000			
The 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	-	-	-	(406)	-	-	(406)	-	(406)
Cash flow hedges									
- Foreign currency exchange losses	-	-	-	(9,885)	-	-	(9,885)	-	(9,885)
- Transfer to income statement	-	-	-	1,017	-	-	1,017	-	1,017
Foreign currency translation differences	-	-	11,072	-	-	-	11,072	484	11,556
Net income / (expense) recognised directly in equity	-	-	11,072	(9,274)	-	-	1,798	484	2,282
Profit for the year	-	-	-	-	-	59,036	59,036	3,182	62,218
Total recognised income / (expense) for the year	-	-	11,072	(9,274)	-	59,036	60,834	3,666	64,500
Issue of shares for cash under Employees' Share Option Scheme	3,298	-	-	-	-	-	3,298	-	3,298
Cost of share-based payment	-	-	-	-	3,552	-	3,552	-	3,552
Transfer to capital reserve	-	6,140	-	-	-	(6,140)	-	-	-
Dividends	-	-	-	-	-	(9,909)	(9,909)	(609)	(10,518)
At 31.12.2008	99,118	7,204	9,257	(13,496)	12,971	182,493	297,547	10,352	307,899

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
The Group – 2007									
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	-	-	-	3,617	-	-	3,617	-	3,617
Foreign currency translation differences	-	-	2,735	-	-	-	2,735	33	2,768
Net income recognised directly in equity	-	-	2,735	3,617	-	-	6,352	33	6,385
Profit for the year	-	-	-	-	-	32,949	32,949	3,696	36,645
Total recognised income for the year	-	-	2,735	3,617	-	32,949	39,301	3,729	43,030
Issue of shares for cash under Employees' Share Option Scheme	4,678	-	-	-	-	-	4,678	-	4,678
Cost of share-based payment	-	-	-	-	3,131	-	3,131	-	3,131
Transfer to capital reserve	-	77	-	-	-	-	77	-	77
Acquisition of a subsidiary	-	-	-	-	-	-	-	(14,899)	(14,899)
Dividends	-	-	-	-	-	(7,016)	(7,016)	-	(7,016)
At 31.12.2007	95,820	1,064	(1,815)	(4,222)	9,419	139,506	239,772	7,295	247,067

The Company

At 1.1.2008

Profit for the year

Total recognised income for the year

Issue of shares for cash under Employees' Share Option Scheme

Cost of share-based payment

Dividends

At 31.12.2008

At 1.1.2007

Recognised in income statement on maturity
of financial instruments

Net expense recognised directly in equity

Profit for the year

Total recognised income / (expense) for the year

Issue of shares for cash under Employees' Share Option Scheme

Cost of share-based payment

Dividends

At 31.12.2007

	Share capital S\$'000	Hedging reserve S\$'000	Employee share option reserve S\$'000	Revenue reserve S\$'000	Total S\$'000
At 1.1.2008	95,820	-	9,419	51,205	156,444
Profit for the year	-	-	-	20,820	20,820
Total recognised income for the year	-	-	-	20,820	20,820
Issue of shares for cash under Employees' Share Option Scheme	3,298	-	-	-	3,298
Cost of share-based payment	-	-	3,552	-	3,552
Dividends	-	-	-	(9,909)	(9,909)
At 31.12.2008	99,118	-	12,971	62,116	174,205
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)
Profit for the year	-	-	-	11,908	11,908
Total recognised income / (expense) for the year	-	(563)	-	11,908	11,345
Issue of shares for cash under Employees' Share Option Scheme	4,678	-	-	-	4,678
Cost of share-based payment	-	-	3,131	-	3,131
Dividends	-	-	-	(7,016)	(7,016)
At 31.12.2007	95,820	-	9,419	51,205	156,444

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 financial year ended 31 Dec 2008, 1,891,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme") (31 Dec 2007: 4,495,500).
- For the financial year ended 31 Dec 2008, 10,605,000 share options were granted under the Scheme (31 Dec 2007: 5,580,000).
- As at 31 Dec 2008, the number of outstanding and unexercised options granted under the Scheme was 28,565,593 (31 Dec 2007: 22,336,968).
- As at 31 Dec 2008, the Group is not holding any treasury shares (31 Dec 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.

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

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

	31 Dec 08	31 Dec 07
	Cents	Cents
Based on the weighted average of 524,751,860 (31 Dec 2007: 521,256,402) ordinary shares in issue; and	11.25	6.32
On a fully diluted basis of 537,404,657 (31 Dec 2007: 528,951,975) ordinary shares	<u>10.99</u>	<u>6.23</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.

	31 Dec 08	31 Dec 07
	Cents	Cents
Net assets value per ordinary share of:		
<i>Based on 525,271,360 (31 Dec 2007: 523,380,360) ordinary shares in issue</i>		
Group	56.7	45.7
Company	<u>33.2</u>	<u>30.0</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

The Group achieved a record turnover of \$554.2 million and record net profit after tax and minority interests of \$59.0 million for the financial year ended 31 Dec 2008.

8(a)(i) Revenue

The Group's revenue for the financial year ended 31 Dec 2008 increased by more than two times to \$554.2 million as compared to \$192.8 million for the financial year ended 31 Dec 2007.

Sector Review

Revenue from municipal sector increased more than five times from \$89.0 million to \$476.8 million and contributed 86% to the Group's revenue. This was due to progress made both in China and Algeria.

Revenue from industrial sector decreased by 25% from \$102.3 million for the financial year ended 31 Dec 2007 to \$76.4 million for the financial year ended 31 Dec 2008. This was mainly attributed to the economic slow down in China.

Geographical review

China accounted for 54% of total revenue, while Middle East and North Africa (MENA) contributed approximately 40% of total revenue for the financial year ended 31 Dec 2008.

8(a)(ii) Costs and expenses

Raw materials and consumables costs increased from \$106.0 million for the financial year ended 31 Dec 2007 to \$384.1 million for the financial year ended 31 Dec 2008. This was attributable to higher municipal revenue and higher material cost as compared to financial year ended 31 Dec 2007.

Personnel expenses increased from \$33.9 million for the financial year ended 31 Dec 2007 to \$52.6 million for the financial year ended 31 Dec 2008 in line with the business growth.

Finance expenses increased marginally from \$8.9 million for the financial year ended 31 Dec 2007 to \$10.2 million for the financial year ended 31 Dec 2008.

Other operating expenses increased from \$9.4 million for the financial year ended 31 Dec 2007 to \$30.4 million for the financial year ended 31 Dec 2008 due to higher professional, selling and travelling expenses.

The tax charge for the financial year ended 31 Dec 2008 reflects 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 financial year ended 31 Dec 2008 increased more than one time to 11.25 cents and 10.99 cents respectively compared to the financial year ended 31 Dec 2007.

8(b) Balance Sheets Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$297.5 million as at 31 Dec 2008 from \$239.8 million as at 31 Dec 2007. The increase was mainly attributable to the net profit for the financial year ended 31 Dec 2008.

Current assets increased to \$384.2 million as at 31 Dec 2008 from \$339.6 million as at 31 Dec 2007, mainly due to increases in trade related receivables, which is in line with the increase in the Group's turnover.

Non-current assets increased to \$462.4 million as at 31 Dec 2008 from \$209.9 million as at 31 Dec 2007. Intangible assets and financial and lease receivables increased by \$26.0 million and \$184.6 million respectively 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 shareholder loans granted to associates.

Current liabilities increased to \$324.5 million as at 31 Dec 2008 from \$106.1 million as at 31 Dec 2007, mainly due to increases in trade related payables, current portion of the interest-bearing loans and other working capital borrowings.

Non-current liabilities increased to \$214.2 million as at 31 Dec 2008 from \$196.3 million as at 31 Dec 2007, resulting mainly from the increase in bank borrowings during the financial year to support the Group's expansion.

8b(ii) The 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 was transferred out. Going forward, the Company will only carry out investment holding related activities.

Shareholders' equity for the Company increased to \$174.2 million as at 31 Dec 2008 from \$156.4 million as at 31 Dec 2007. The increase was mainly due to the net profit for the financial year ended 31 Dec 2008, new shares issued of \$3.3 million and increase in employee share option reserve of \$3.6 million during the year ended 31 Dec 2008.

8(c) Cash flow Statement

The Group's cash position as of 31 Dec 2008 was \$90.7 million, down by \$30.3 million as compared to 31 Dec 2007. This was due to proceeds from the Initial Public Offerings of Hyflux Water Trust in Dec 2007.

For the financial year ended 31 Dec 2008, the Group generated cash of \$29.9 million from its operations, mainly due to the increase in operating profit for the financial year. Cash used in investing activities for the financial year was largely due to capital expenditure to support the Group's expansion and loans granted to associates. Cash from financing activities was mainly due to the proceeds from borrowings for funding of the Group's investment.

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

Major economies are in recession and credit conditions remain tight. However, recently the Chinese government has announced stimulus package to revive economic growth with a special focus on infrastructure and water sectors, which is positive for Hyflux.

Municipal Sector

Municipal sector's fundamentals remained strong and continues to be the largest contributor to the Group's revenue. China and MENA remain as key markets for the Group. Our Engineering, Procurement and Construction ("EPC") projects in China and MENA are progressing on track, providing the Group with a core and steady stream of revenue.

In MENA region, the Group is currently completing a 200,000m³/day plant in Tlemcen, Algeria. In addition, the Group is also the EPC contractor of the world's largest reverse osmosis desalination plant of 500,000m³/day in Magtaa, Oran, Western Algeria. The plant, with an estimated EPC works of US\$500 million, has achieved on-site ground breaking ceremony on 16 December 2008. Construction of the plant is scheduled to be completed in 28 months' time upon achieving financial close.

The Group divested three wastewater and water treatment plants in China to Hyflux Water Trust Management Pte Ltd (acting as Trustee-Manager of Hyflux Water Trust) on 23 December 2008. Completion of the transaction in respect of the Yangkou Rudong Wastewater Treatment Plant is expected to occur around or after 30 June 2009 but no later than 31 December 2009.

The Group has long term operation and maintenance contracts with our operational plants in China and Singapore which will generate recurring stable income stream for the next 25-30 years. Our operational plants have increased from eleven in 2007 to sixteen in 2008.

Industrial Sector

Performance of industrial sector, accounting for 14% of the Group's revenue in 2008, is likely to be impacted by the economic slow down in China.

Summary

The Group's investments in technology, human resources and manufacturing capabilities and innovations have enabled us to offer leading edge solutions to meet the varied and changing needs of our customers.

The Group is in a net cash position of \$90.7 million as at 31 Dec 2008, we will continue to strengthen our businesses and brace ourselves to meet the challenges in these difficult market conditions.

The Group's order book as at 31 December 2008 is \$1.15 billion, a 34% increase from \$863 million as at 31 December 2007. Going forward, we have also achieved an increasing portfolio of operation and maintenance ("O&M") contracts amounting to \$335 million, to be realised over the next 25-30 year concession period. The Group expects the O&M order book to increase with more completed projects in China, Singapore and Algeria over the next few years.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

Name of dividend	First and final
Dividend type	Cash
Dividend rate	3.43 cents per ordinary shares
Tax rate	One tier tax exempt

(b) Corresponding period of the immediately preceding financial year

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

Name of dividend	First and final
Dividend type	Cash
Dividend rate	1.89 cents per ordinary shares
Tax rate	One tier tax exempt

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

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

Not applicable.

13. Segmental reporting

(a) Business segment

2008	Municipal S\$'000	Industrial S\$'000	Others S\$'000	Group S\$'000
Revenue:				
External sales	476,758	76,383	1,083	554,224
Results:				
Segment results	75,308	770	1,377	77,455
Financial income				4,770
Financial expenses				(10,222)
Fair value loss on derivative financial instruments				(680)
Share of loss of associates				(1,400)
Other income				494
Net loss on sale of property, plant and equipment				(42)
Profit before taxation				70,375
Taxation				(8,157)
Profit for the year				62,218
Assets and liabilities:				
Segment assets	561,868	165,785	51,569	779,222
Unallocated assets				67,333
Total assets				846,555
Segment liabilities	219,936	38,200	12,173	270,309
Unallocated liabilities				268,347
Total liabilities				538,656
Other segment information:				
Capital expenditure	6,883	11,904	5	18,792
Depreciation, amortisation and impairment	6,111	1,502	2,105	9,718

2007	Municipal	Industrial	Others	Group
	S\$'000	S\$'000	S\$'000	S\$'000
	88,971	102,347	1,468	192,786
Results:				
Segment results	27,304	10,253	(1,188)	36,369
Financial income				2,548
Financial expenses				(8,878)
Fair value loss on derivative financial instruments				(3,532)
Share of profit of associates				1,277
Other income				108
Gain on sale of partial interest in a joint venture				8,185
Net loss on sale of property, plant and equipment				(4)
Negative goodwill on acquisition of business				2,620
Profit before taxation				38,693
Taxation				(2,048)
Profit for the year				36,645
Assets and liabilities:				
Segment assets	267,824	112,588	13,097	393,509
Unallocated assets				155,991
Total assets				549,500
Segment liabilities	69,036	33,094	1,031	103,161
Unallocated liabilities				199,272
Total liabilities				302,433
Other segment information:				
Capital expenditure	12,636	21,050	1,430	35,116
Depreciation and amortisation	4,347	995	1,856	7,198

(b) Geographical segment

	MENA		People's Republic of China		Singapore and Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue :								
External sales	223,011	8,230	299,965	156,933	31,248	27,623	554,224	192,786
Other								
Segment assets	92,936	6,877	499,493	194,665	186,793	191,967	779,222	393,509
Unallocated assets							67,333	155,991
Total assets							846,555	549,500
Capital expenditure	227	-	11,185	14,501	7,380	20,615	18,792	35,116

14. Breakdown of sales

	2008 S\$'000	2007 S\$'000	% increase/ (decrease)
Sales reported for the first half year	197,652	62,709	215%
Profit after tax before minority interest reported for the first half	<u>30,586</u>	<u>7,431</u>	312%
Sales reported for the second half	356,572	130,077	174%
Profit after tax before minority interest reported for the second half	<u>31,632</u>	<u>29,214</u>	8%

15. Breakdown of total annual dividend (In dollar value)

	Latest Full Year (2008) S\$'000	Previous Full Year (2007) S\$'000
Ordinary	9,909	7,016
Preference	-	-
Total	<u>9,909</u>	<u>7,016</u>

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
18 February 2009