



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For Second Quarter And Half Year Ended 30 June 2009

The Directors of Hyflux Ltd wish to announce the unaudited results of the Group for second quarter and half year ended 30 June 2009.

1 (a)(i) CONSOLIDATED INCOME STATEMENT for second quarter and half year ended 30 June 2009

	<u>The Group</u>					
	<u>Quarter ended 30 Jun</u>			<u>Half year ended 30 Jun</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	134,463	108,050	24	222,667	197,652	13
Other income	1,593	874	82	3,130	1,405	123
Changes in inventories of finished goods and work-in-progress	1,963	(188)	NM	2,951	(2,959)	NM
Raw materials and consumables used and subcontractors' cost	(72,484)	(55,672)	30	(132,395)	(121,622)	9
Staff costs	(14,277)	(13,856)	3	(27,268)	(24,151)	13
Depreciation and amortisation	(2,461)	(1,903)	29	(4,888)	(3,995)	22
Other expenses	(19,931)	(7,996)	149	(24,666)	(9,844)	151
Finance costs	(1,951)	(1,758)	11	(4,930)	(3,839)	28
Share of profit/(loss) of associates, net of tax	1,602	(457)	NM	750	10	NM
Profit before tax [Note 1(a)(iii)]	28,517	27,094	5	35,351	32,657	8
Taxation	(2,018)	(3,203)	(37)	(3,774)	(2,071)	82
Profit for the period	26,499	23,891	11	31,577	30,586	3
Profit attributable to:						
Shareholders of the Company	25,869	22,558	15	31,005	28,300	10
Minority interests	630	1,333	(53)	572	2,286	(75)
	26,499	23,891	11	31,577	30,586	3

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the second quarter and half year ended 30 June 2009**

	<u>The Group</u>					
	<u>Quarter ended 30 Jun</u>			<u>Half year ended 30 Jun</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	26,499	23,891	11	31,577	30,586	3
Other comprehensive income						
Exchange differences on translation of foreign operations	(3,794)	2,330	NM	8,626	(892)	NM
Cash flow hedges						
Net loss/(gain) arising during the financial period	5,578	-	NM	(3,202)	-	NM
Net loss transferred to profit or loss	5,123	-	NM	5,123	-	NM
Share of cash flow hedges of associates	597	2,394	(75)	1,209	1,676	(28)
Share of statutory reserve of associates	102	-	NM	102	-	NM
Other comprehensive income for the period, net of tax	7,606	4,724	61	11,858	784	1,413
Total comprehensive income for the period	34,105	28,615	19	43,435	31,370	38
Total comprehensive income attributable to:						
Shareholders of the Company	33,840	27,174	25	42,784	29,149	47
Minority interests	265	1,441	(82)	651	2,221	(71)
	34,105	28,615	19	43,435	31,370	38

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 Jun</u>			<u>Half year ended 30 Jun</u>		
	2009	2008	Change	2009	2008	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Fair value loss on derivative financial instruments	-	(169)	NM	-	(338)	NM
Finance income	1,113	874	27	1,865	1,405	33
Write back/(impairment) of trade and other receivables	93	(16)	NM	48	(20)	NM
Net foreign exchange (loss)/gain	(4,472)	501	NM	966	5,586	(83)
Net gain/(loss) on disposal of property, plant and equipment	5	16	(69)	(5)	(47)	89
Write-back / (Provision) of inventory obsolescence	-	6	-	(6)	5	NM

NM: Not meaningful

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

	<u>The Group</u>		<u>The Company</u>	
	<u>30 Jun 09</u>	<u>31 Dec 08</u>	<u>30 Jun 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	58,854	56,857	-	8
Intangible assets	70,830	66,523	1,826	1,826
Investment property	2,180	2,244	-	-
Investments in subsidiaries	-	-	131,073	131,073
Investment in joint venture	-	-	3,125	2,375
Investments in associates	119,133	94,716	12,692	12,608
Other investments	908	908	899	899
Financial and lease receivables	234,849	194,204	-	-
Trade and other receivables	48,617	44,137	20,024	19,832
Deferred tax assets	2,693	2,799	-	-
Total non-current assets	538,064	462,388	169,639	168,621
<u>Current assets</u>				
Gross amounts due for contract work	48,034	93,987	-	-
Inventories	28,488	33,827	-	-
Financial and lease receivables	6,656	3,248	-	-
Trade and other receivables	190,168	151,531	437,980	362,077
Cash and fixed deposits	120,348	90,740	3,324	18,242
Assets classified as held for sale	-	10,834	-	-
Total current assets	393,694	384,167	441,304	380,319
<u>Current liabilities</u>				
Trade and other payables	261,378	268,234	219,686	118,882
Financial liabilities	65,345	50,344	64,951	49,524
Tax payable	5,577	5,925	-	-
Liabilities classified as held for sale	-	1	-	-
Total current liabilities	332,300	324,504	284,637	168,406
Net current assets	61,394	59,663	156,667	211,913
<u>Non-current liabilities</u>				
Financial liabilities	256,544	207,892	170,094	206,170
Deferred tax liabilities	6,415	6,260	159	159
Total non-current liabilities	262,959	214,152	170,253	206,329
Net assets	336,499	307,899	156,053	174,205
<u>Equity attributable to Shareholders of the Company</u>				
Share capital	100,088	99,118	100,088	99,118
Retained earnings	195,478	182,493	40,779	62,116
Foreign currency translation reserve	17,804	9,257	-	-
Hedging Reserve	(10,366)	(13,496)	-	-
Employee share option reserve	15,186	12,971	15,186	12,971
Capital reserve	7,306	7,204	-	-
	325,496	297,547	156,053	174,205
Minority interests	11,003	10,352	-	-
Total equity	336,499	307,899	156,053	174,205
<i>Group net borrowings (S\$)</i>	201,541	167,496	n.a.	n.a.
<i>Group net gearing (times)</i>	0.60x	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 Jun 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
393	64,952	820	49,524

(ii) Amount repayable after one year

30 Jun 09		31 Dec 08	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
1,250	255,294	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 second quarter and half year ended 30 June 2009

	<u>The Group</u>			
	<u>Second quarter ended 30 Jun</u>		<u>Half year ended 30 Jun</u>	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before tax	28,517	27,094	35,351	32,657
Adjustments:				
Equity-settled share-based payment transactions	1,108	913	2,215	1,929
Fair value loss on derivative financial instruments	-	169	-	338
Net (gain)/loss on disposal of property, plant and equipment	(5)	(16)	5	47
Share of (profit)/loss of associates, net of tax	(1,602)	457	(750)	(10)
Depreciation and amortisation	2,461	1,903	4,888	3,995
Finance costs	1,951	1,758	4,930	3,839
Finance income	(1,113)	(874)	(1,865)	(1,405)
(Write back)/impairment of trade and other receivables	(93)	16	(48)	20
(Write back)/Provision of inventory obsolescence	-	(6)	6	(5)
Operating cash flows before working capital changes	<u>31,224</u>	<u>31,414</u>	<u>44,732</u>	<u>41,405</u>
Changes in working capital :				
Inventories	6,897	(895)	5,310	(2,034)
Gross amounts due for contract work	15,798	22,421	44,527	42,158
Trade and other receivables	472	(74,111)	(42,103)	(112,649)
Financial and lease receivables	(7,796)	(28,995)	(30,635)	(41,125)
Lease prepayment	1,064	-	1,064	-
Trade and other payables	31,166	66,586	5,728	120,965
Cash generated from operations	78,825	16,420	28,623	48,720
Income taxes (paid) / refund	(2,847)	272	(3,821)	617
Cash flows from operating activities	<u>75,978</u>	<u>16,692</u>	<u>24,802</u>	<u>49,337</u>

1(c) CONSOLIDATED STATEMENT OF CASH FLOWS
for the second quarter and half year ended 30 June 2009 (cont'd)

	The Group			
	Second quarter ended 30 Jun		Half year ended 30 Jun	
	2009	2008	2009	2008
	S\$'000	S\$'000	S\$'000	S\$'000
Investing activities				
Purchase of property, plant and equipment	(666)	(30,506)	(5,185)	(53,992)
Acquisition of intangible assets	(3,861)	(11,838)	(9,544)	(13,835)
Proceeds from sale of property, plant and equipment	8	5	79	6
Acquisition of associates	(1,203)	(2,894)	(19,567)	(7,624)
Due from related parties (non-trade)	(1,250)	(52)	(5,339)	(23,892)
Dividends received from associates	-	741	-	741
Interest received	1,113	874	1,865	1,405
Cash flows from investing activities	(5,859)	(43,670)	(37,691)	(97,191)
Financing activities				
Proceeds from issuance of new shares under Employee Share Option Scheme	966	1,852	970	3,113
Proceeds from borrowings	125,139	39,184	215,671	47,748
Repayment of borrowings	(126,128)	(4,647)	(150,038)	(13,452)
Repayment of finance lease liabilities	(30)	(36)	(59)	(46)
Interest paid	(3,367)	(3,907)	(6,019)	(6,400)
Dividends paid to shareholders of the Company	(18,020)	(9,909)	(18,020)	(9,909)
Cash flows from financing activities	(21,440)	22,537	42,505	21,054
Net increase/(decrease) in cash and cash equivalents	48,679	(4,441)	29,616	(26,800)
Cash and cash equivalents at beginning of the period	74,835	97,967	91,480	121,047
Effect of exchange rate changes	(3,166)	105	(748)	(616)
Cash and cash equivalents at end of the period	120,348	93,631	120,348	93,631

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

	Share capital	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
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	4	-	-	-	-	-	4	-	4
Value of employee services received for issue of share option	-	-	-	-	1,107	-	1,107	-	1,107
Total comprehensive income/(loss) for the period	-	5,136	11,976	(8,168)	-	-	8,944	386	9,330
At 31.03.2009	99,122	187,629	21,233	(21,664)	14,078	7,204	307,602	10,738	318,340
Issue of shares for cash under Employee Share Option Scheme	966	-	-	-	-	-	966	-	966
Value of employee services received for issue of share option	-	-	-	-	1,108	-	1,108	-	1,108
Total comprehensive income/(loss) for the period	-	25,869	(3,429)	11,298	-	102	33,840	265	34,105
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
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	1,261	-	-	-	-	-	1,261	-	1,261
Value of employee services received for issue of share option	-	-	-	-	1,016	-	1,016	-	1,016
Total comprehensive income/(loss) for the period	-	5,742	(3,049)	(718)	-	-	1,975	780	2,755
At 31.03.2008	97,081	145,248	(4,864)	(4,940)	10,435	1,064	244,024	8,075	252,099
Issue of shares for cash under Employee Share Option Scheme	1,851	-	-	-	-	-	1,851	-	1,851
Value of employee services received for issue of share option	-	-	-	-	913	-	913	-	913
Total comprehensive income/(loss) for the period	-	22,558	2,222	2,394	-	-	27,174	1,441	28,615
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

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

	Share capital	Retained earnings	Employee share option reserve	Total attributable to shareholders of the Company
	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	4	-	-	4
Value of employee services received for issue of share option	-	-	1,107	1,107
Total comprehensive income / (loss) for the period	-	(3,724)	-	(3,724)
At 31.03.2009	99,122	58,392	14,078	171,592
Issue of shares for cash under Employee Share Option Scheme	966	-	-	966
Value of employee services received for issue of share option	-	-	1,108	1,108
Total comprehensive income / (loss) for the period	-	407	-	407
Dividends	-	(18,020)	-	(18,020)
At 30.06.2009	100,088	40,779	15,186	156,053
At 1.1.2008	95,820	51,205	9,419	156,444
Issue of shares for cash under Employee Share Option Scheme	1,261	-	-	1,261
Value of employee services received for issue of share option	-	-	1,016	1,016
Total comprehensive income / (loss) for the period	-	700	-	700
At 31.03.2008	97,081	51,905	10,435	159,421
Issue of shares for cash under Employee Share Option Scheme	1,851	-	-	1,851
Value of employee services received for issue of share option	-	-	913	913
Total comprehensive / (loss) for the period	-	(751)	-	(751)
Dividends	-	(9,909)	-	(9,909)
At 30.06.2008	98,932	41,245	11,348	151,525

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 second quarter ended 30 Jun 2009, 994,000 new ordinary shares were issued pursuant to options exercised under the Hyflux Employee Shares Option Scheme ("Scheme") (second quarter ended 30 Jun 2008: 1,056,000). For the first half year ended 30 Jun 2009, 1,041,000 shares were issued pursuant to the Scheme (first half year ended 30 Jun 2008: 1,792,000).
- For the second quarter ended 30 Jun 2009, 1,180,000 share options were granted under the Scheme (second quarter ended 30 Jun 2008: 3,610,000). For the first half year ended 30 Jun 2009, 1,680,000 share options were granted under the Scheme (first half year ended 30 Jun 2008: 3,610,000).
- As at 30 Jun 2009, the number of outstanding and unexercised options granted under the Scheme was 27,192,468 (30 Jun 2008: 22,894,343).
- As at 30 Jun 2009, the number of outstanding and unexercised warrants granted under the Warrant Subscription Agreements ("Agreements") was 41,216,863 (30 Jun 2008: 41,216,863). No warrants were exercised under the Agreements during the second quarter and half year ended 30 Jun 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 Company did not hold any treasury shares as at 30 Jun 2009 and 31 Dec 2008.

The total number of issued shares excluding treasury shares as at 30 Jun 2009 was 526,312,360 (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 Jun 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 Jun</u>		<u>Half year ended 30 Jun</u>	
	2009	2008	2009	2008
	Cents	Cents	Cents	Cents
Based on the weighted average of 525,497,193 (30 Jun 2008: 524,273,193) ordinary shares in issue; and	4.92	4.30	5.90	5.40
On a fully diluted basis of 526,312,360 (30 Jun 2008: 529,788,280) ordinary shares	<u>4.91</u>	<u>4.26</u>	<u>5.89</u>	<u>5.34</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 Jun 09	31 Dec 08
	Cents	Cents
Net assets value per ordinary share of:		
<i>Based on 526,312,360 (31 Dec 2008: 525,271,360) ordinary shares in issue</i>		
Group	61.8	56.7
Company	<u>29.7</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

Second quarter review

The Group achieved revenue of \$134.5 million and profit attributable to shareholders of the Company increased by 15% from \$22.6 million for the second quarter ended 30 Jun 2008 to \$25.9 million for the second quarter ended 30 Jun 2009.

8(a)(i) Revenue

The Group's revenue for the second quarter ended 30 Jun 2009 increased by 24% to \$134.5 million as compared to \$108.1 million for the second quarter ended 30 Jun 2008.

Sector Review

Revenue from the municipal sector increased by 34% from \$86.7 million to \$116.3 million and contributed 86% to the Group's revenue. Revenue from China and Middle East and North Africa's ("MENA") municipal sector was \$34.5 million and \$80.2 million respectively for the second quarter ended 30 Jun 2009.

Revenue from industrial sector decreased by 17% from \$21.3 million for the second quarter ended 30 Jun 2008 to \$17.7 million for the second quarter ended 30 Jun 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 38% of total revenue, while MENA contributed approximately 60% of total revenue for the second quarter ended 30 Jun 2009.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs increased by 30% from \$55.7 million for the second quarter ended 30 Jun 2008 to \$72.5 million for the second quarter ended 30 Jun 2009 which was in line with the increase in sales volume.

Staff costs increased marginally from \$13.9 million for the second quarter ended 30 Jun 2008 to \$14.3 million for the second quarter ended 30 Jun 2009.

Finance costs increased from \$1.8 million for the second quarter ended 30 Jun 2008 to \$2.0 million for the second quarter ended 30 Jun 2009 due to higher bank borrowings.

Other expenses increased from \$8.0 million for the second quarter ended 30 Jun 2008 to \$19.9 million for the second quarter ended 30 Jun 2009 due to higher projects tender fees, bank charges, professional, selling and travelling expenses, and foreign exchange differences.

The tax charge for the second quarter ended 30 Jun 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 second quarter ended 30 Jun 2009 increased by 14% and 15% respectively to 4.92 cents and 4.91 cents respectively compared to the second quarter ended 30 Jun 2008.

First half year review

The Group recorded a revenue of \$222.7 million and profit attributable to shareholders of the Company of \$31.0 million for the first half year ended 2009.

8(a)(iv) Revenue

The Group's revenue for the first half year ended 30 Jun 2009 increased by 13% to \$222.7 million as compared to \$197.7 million for the first half year ended 30 Jun 2008.

Sector Review

Revenue from the municipal sector increased by 22% from \$157.0 million for the first half year ended 30 Jun 2008 to \$191.8 million for the first half year ended 30 Jun 2009 and contributed 86% to the Group's revenue. Revenue from China and MENA's municipal sector for the first half year ended 30 June 2009 was \$56.2 million and \$130.6 million respectively .

Revenue from industrial sector decreased by 25% from \$40.3 million for the first half year ended 30 Jun 2008 to \$30.1 million for the first half year ended 30 Jun 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 38% of the total revenue, while MENA contributed approximately 59% of the total revenue for the first half year ended 30 Jun 2009.

8(a)(v) Costs and expenses

Raw materials and consumables used and subcontractors' costs increased by 9% from \$121.6 million for the first half year ended 30 Jun 2008 to \$132.4 million for the first half year ended 30 Jun 2009 which was in line with the increase in sales volume.

Staff costs increased from \$24.2 million for the first half year ended 30 Jun 2008 to \$27.3 million for the first year ended 30 Jun 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 \$3.8 million for the first half year ended 30 Jun 2008 to \$4.9 million for the first half year ended 30 Jun 2009 due to higher bank borrowings.

Other expenses increased from \$9.8 million for the first half year ended 30 Jun 2008 to \$24.7 million for the first half year ended 30 Jun 2009 due to higher projects tender fees, bank charges, professional, selling and travelling expenses, and foreign exchange differences.

The effective tax rate for the first half year ended 30 Jun 2009 was normalised to about 10.7% 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 first half year ended 30 Jun 2009 increased by 9% and 10% respectively to 5.90 cents and 5.89 cents respectively compared to the first half year ended 30 Jun 2008.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$325.5 million as at 30 Jun 2009 from \$297.5 million as at 31 Dec 2008. The increase was mainly attributable to the net profit for the first half year ended 30 Jun 2009 and exchange differences on translating foreign operations.

Current assets increased to \$393.7 million as at 30 Jun 2009 from \$384.2 million as at 31 Dec 2008, which was mainly due to increases in trade-related receivables and cash and fixed deposits.

Non-current assets increased to \$538.1 million as at 30 Jun 2009 from \$462.4 million as at 31 Dec 2008. Financial and lease receivables increased by \$40.6 million, which was in line with the progress of construction of water plants in China. In addition, investments in associates increased due to additional capital injection to associates and share of results of associates.

Current liabilities increased slightly to \$332.3 million as at 30 Jun 2009 from \$324.5 million as at 31 Dec 2008, which was mainly due to the increase in bank borrowings during the financial period to support the Group's expansion and investment activities.

Non-current liabilities increased to \$263.0 million as at 30 Jun 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 Jun 2009 was \$13.5 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012.

The Group's net gearing ratio as at 30 Jun 2009 remained at a stable level of 0.6 times.

8(b)(ii) The Company

Shareholders' equity for the Company decreased to \$156.1 million as at 30 Jun 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

Second quarter and first half year

The Group's cash position increased to \$120.3 million as at 30 Jun 2009 from \$90.7 million as at 31 Dec 2008.

For the second quarter and first half year ended 30 Jun 2009, the Group generated cash of \$76.0 million and \$24.8 million respectively from its operations, mainly due to the increase in operating profit for the financial period and improvement in working capital. 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 associates. Cash used in financing activities for the second quarter ended 30 Jun 2009 was mainly for the payment of dividend. Cash from financing activities for the financial period ended 30 Jun 2009 was mainly arising from proceeds from borrowings to fund 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

Municipal sector's fundamentals remained strong and the MENA and China markets are expected to remain as key contributors to the Group's revenue. The Group's projects in MENA and China are progressing on track, providing the Group with a core stream of revenue from both the Engineering Procurement & Construction ("EPC") and Operation & Maintenance ("O&M") strategic business units.

In line with the Group's water strategy, on 24 Jun 2009, the Group entered into a Memorandum of Agreement ("MOA") with the General Desalination Company, the commercial arm of the Ministry of Utilities of the Great Socialist People's Libyan Arab Jamahiriya. The MOA provides the Group the right to negotiate for the Build Operate and Transfer development of two membrane-based seawater desalination plants with a minimum designed capacity of 500,000 m³/day and 400,000 m³/day in Tripoli and Benghazi respectively.

Industrial sector's revenue has improved from \$12.4 million for the first quarter ended 31 Mar 2009 to \$17.7 million for the second quarter ended 30 Jun 2009. The Group is cautiously optimistic on the recovery of the sector.

With the increase in the Group's completed municipal plants, our O&M order book has increased to S\$694 million as at 30 Jun 2009 from S\$335 million as at 31 Dec 2008. Our EPC order book remained healthy at S\$952 million as at 30 Jun 2009. The combined order book has increased marginally from S\$1.5 billion as at 31 Dec 2008 to S\$1.6 billion as at 30 Jun 2009.

The Group continues to focus on cost management, people and technology development.

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 Jun 2009 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
6 August 2009