



HYFLUX LTD
Registration number : 200002722Z

**Unaudited Financial Statements For Second Quarter And Half Year Ended
 30 June 2010**

**1 (a)(i) An income statement (for the Group) together with a comparative statement for
 the corresponding period for the immediately preceding financial year.**

**CONSOLIDATED INCOME STATEMENT
 FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2010**

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	140,399	134,463	4	241,739	222,667	9
Other income	2,953	1,593	85	4,202	3,130	34
Changes in inventories of finished goods and work-in-progress	(1,213)	1,963	NM	(1,782)	2,951	NM
Raw materials and consumables used and subcontractors' costs	(77,199)	(72,484)	7	(136,474)	(132,395)	3
Personnel expenses	(12,573)	(14,277)	(12)	(25,646)	(27,268)	(6)
Depreciation and amortisation	(3,407)	(2,461)	38	(6,760)	(4,888)	38
Other expenses	(14,544)	(19,931)	(27)	(29,752)	(24,666)	21
Finance costs	(4,556)	(1,951)	133	(8,019)	(4,930)	63
Share of profit of associates, net of income tax	<u>1,385</u>	<u>1,602</u>	(14)	<u>700</u>	<u>750</u>	(7)
Profit before income tax	<u>31,245</u>	<u>28,517</u>	10	<u>38,208</u>	<u>35,351</u>	8
Income tax expense	<u>(3,283)</u>	<u>(2,018)</u>	63	<u>(4,378)</u>	<u>(3,774)</u>	16
Profit for the period	<u><u>27,962</u></u>	<u><u>26,499</u></u>	6	<u><u>33,830</u></u>	<u><u>31,577</u></u>	7
Profit attributable to:						
Owners of the Company	27,266	25,869	5	33,667	31,005	9
Minority interests	<u>696</u>	<u>630</u>	10	<u>163</u>	<u>572</u>	(72)
	<u><u>27,962</u></u>	<u><u>26,499</u></u>	6	<u><u>33,830</u></u>	<u><u>31,577</u></u>	7

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the second quarter and half year ended 30 June 2010**

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	27,962	26,499	6	33,830	31,577	7
Other comprehensive income for the period						
Foreign currency translation differences for foreign operations	(566)	(3,794)	NM	(2,123)	8,626	NM
Share of net fair value (loss)/gain on derivative financial instruments of associates	(76)	597	NM	(159)	1,209	NM
Net change in fair value of cash flow hedges transferred to profit or loss	-	5,123	(100)	431	5,123	(92)
Effective portion of changes in fair value of cash flow hedges	2,229	5,578	NM	2,301	(3,202)	NM
Share of statutory reserve of associates	(318)	102	NM	(102)	102	NM
Other comprehensive income for the period, net of tax	<u>1,269</u>	<u>7,606</u>	(83)	<u>348</u>	<u>11,858</u>	(97)
Total comprehensive income for the period	<u>29,231</u>	<u>34,105</u>	(14)	<u>34,178</u>	<u>43,435</u>	(21)
Total comprehensive income attributable to:						
Owners of the Company	28,620	33,840	(15)	34,080	42,784	(20)
Minority interests	611	265	145	98	651	(85)
	<u>29,231</u>	<u>34,105</u>	(14)	<u>34,178</u>	<u>43,435</u>	(21)

NOTES TO CONSOLIDATED INCOME STATEMENT

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

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 Jun</u>		
	2010	2009	Change	2010	2009	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Fair value loss on derivative financial instruments	-	-	NM	120	-	NM
Finance income	803	1,113	(28)	1,465	1,865	(21)
Net foreign exchange (loss)/gain (Impairment) / write back of trade and other receivables	(3,360)	(4,472)	(25)	(4,057)	966	NM
	(1,444)	93	NM	(1,288)	48	NM
Impairment of Investment	(263)	-	NM	(263)	-	NM
Net gain / (loss) on disposal of property, plant and equipment	384	5	NM	(10)	(5)	95
Allowance for inventory obsolescence	-	-	-	-	(6)	NM

NM: Not meaningful

1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS AS AT 30 JUNE 2010

	<u>Group</u>		<u>Company</u>	
	30 June 10	31 Dec 09	30 June 10	31 Dec 09
	S\$'000	S\$'000	S\$'000	S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	154,018	134,926	-	-
Investment property	-	2,116	-	-
Intangible assets	95,036	89,615	1,795	1,810
Investment in subsidiaries	-	-	130,920	130,920
Investment in joint venture	-	-	3,125	3,125
Investment in associates	132,474	102,654	13,133	12,955
Other investments	-	99	-	-
Financial and lease receivables	157,090	155,947	-	-
Trade and other receivables	17,215	35,312	18,145	18,296
Deferred tax assets	2,508	2,761	-	-
	<u>558,341</u>	<u>523,430</u>	<u>167,118</u>	<u>167,106</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	291,939	119,994	-	-
Inventories	27,520	32,497	-	-
Financial and lease receivables	7,827	7,818	-	-
Trade and other receivables	166,250	222,089	642,683	524,628
Cash and fixed deposits	180,734	166,735	64,587	62,860
Assets classified as held for sale	2,051	-	-	-
	<u>676,321</u>	<u>549,133</u>	<u>707,270</u>	<u>587,488</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	299,417	265,772	284,658	244,742
Financial liabilities	28,897	45,305	28,897	44,137
Tax payable	6,937	6,794	-	-
	<u>335,251</u>	<u>317,871</u>	<u>313,555</u>	<u>288,879</u>
Net current assets	341,070	231,262	393,715	298,609
<u>NON-CURRENT LIABILITIES</u>				
Financial liabilities	395,152	355,018	332,396	297,233
Deferred tax liabilities	6,229	6,272	-	-
	<u>401,381</u>	<u>361,290</u>	<u>332,396</u>	<u>297,233</u>
Net assets	498,030	393,402	228,437	168,482
<u>EQUITY</u>				
Share capital	205,027	105,114	205,027	105,114
Reserve for own shares	(1,292)	(1,292)	(1,292)	(1,292)
Capital reserve	9,342	8,627	-	-
Foreign currency translation reserve	2,485	4,543	-	-
Hedging reserve	(4,143)	(6,716)	-	-
Employees' share option reserve	17,569	16,780	17,569	16,780
Retained earnings	242,522	238,188	7,133	47,880
Total equity attributable to equity holders of the Company	471,510	365,244	228,437	168,482
Minority interests	26,520	28,158	-	-
Total equity	498,030	393,402	228,437	168,482
<i>Group net borrowings (S\$)</i>	243,315	233,588	n.a.	n.a.
<i>Group net gearing (times)</i>	0.49x	0.59x	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

30 June 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	28,897	1,168	44,137

(ii) Amount repayable after one year

30 June 10		31 Dec 09	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	395,152	27	354,991

Details of any collateral

As at 31 Dec 2009, a subsidiary's bank loan was secured by a lien over its inventories and receivables and certain cash balances of the subsidiary.

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2010**

	<u>Group</u>			
	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	31,245	28,517	38,208	35,351
Adjustments for:				
Employees' share option expense	789	1,108	789	2,215
Fair value loss on derivative financial instruments	-	-	(120)	-
(Gain) / Loss on sale of property, plant and equipment	(384)	(5)	10	5
Share of profit of associates	(1,385)	(1,602)	(700)	(750)
Depreciation and amortisation	3,407	2,461	6,760	4,888
Finance expenses	4,556	1,951	8,019	4,930
Finance income	(803)	(1,113)	(1,465)	(1,865)
Impairment / (write back) of trade and other receivables	1,444	(93)	1,288	(48)
Impairment of investments	263	-	263	-
Allowance for inventory obsolescence	-	-	-	6
	<u>39,132</u>	<u>31,224</u>	<u>53,052</u>	<u>44,732</u>
Change in inventories	2,513	6,897	4,978	5,310
Change in gross amounts due for contract work	(102,250)	15,798	(171,945)	44,527
Change in trade and other receivables	44,446	1,536	46,515	(41,039)
Change in financial and lease receivables	(1,749)	(7,796)	(3,245)	(30,635)
Change in trade and other payables	16,218	31,166	37,050	5,728
Cash (used in) / from operating activities	<u>(1,690)</u>	<u>78,825</u>	<u>(33,595)</u>	<u>28,623</u>
Income tax paid	<u>(2,529)</u>	<u>(2,847)</u>	<u>(4,279)</u>	<u>(3,821)</u>
Net cash (used in) / from operating activities	<u>(4,219)</u>	<u>75,978</u>	<u>(37,874)</u>	<u>24,802</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2010 (cont'd)**

	<u>Group</u>			
	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	2010	2009	2010	2009
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(8,019)	(666)	(14,985)	(5,185)
Acquisition of intangible assets	(3,286)	(3,861)	(6,217)	(9,544)
Acquisition of minority interest	(919)	-	(2,836)	-
Proceeds from sale of property plant and equipment	227	8	541	79
Acquisition of associates	(23,692)	(1,203)	(23,692)	(19,567)
Dividend received from associates	360	-	6,051	-
Change in amounts due from related parties (non-trade)	(246)	(1,250)	3,335	(5,339)
Interest received	712	1,113	1,286	1,865
Net cash used in investing activities	(34,863)	(5,859)	(36,517)	(37,691)
Cash flows from financing activities				
Proceeds from exercise of share options and warrants	77,498	966	99,640	970
Proceeds from borrowings	1,208	125,139	84,466	215,671
Repayment of borrowings	(22,004)	(126,128)	(57,762)	(150,038)
Repayment of finance lease liabilities	-	(30)	(73)	(59)
Interest paid	(6,380)	(3,367)	(7,867)	(6,019)
Dividends paid	(28,516)	(18,020)	(28,516)	(18,020)
Net cash from / (used in) financing activities	21,806	(21,440)	89,888	42,505
Net (decrease)/ increase in cash and cash equivalents	(17,276)	48,679	15,497	29,616
Cash and cash equivalents at beginning of the period	198,828	74,835	166,735	91,480
Effect of exchange rate changes	(818)	(3,166)	(1,498)	(748)
Cash and cash equivalents at end of the period	180,734	120,348	180,734	120,348

1 (d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY OF THE GROUP

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders 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 1.1.2010	105,114	(1,292)	8,627	4,543	(6,716)	16,780	238,188	365,244	28,158	393,402
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	33,667	33,667	163	33,830
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(2,058)	-	-	-	(2,058)	(65)	(2,123)
Share of net fair value loss on derivative financial instruments of associates	-	-	-	-	(159)	-	-	(159)	-	(159)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,301	-	-	2,301	-	2,301
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	431	-	-	431	-	431
Share of statutory reserve of associates	-	-	(102)	-	-	-	-	(102)	-	(102)
Total comprehensive (loss)/income for the period	-	-	(102)	(2,058)	2,573	-	33,667	34,080	98	34,178
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(28,516)	(28,516)	-	(28,516)
Issue of shares for cash under Employees' Share Option Scheme & Warrant Subscription Agreements	99,913	-	-	-	-	-	-	99,913	-	99,913
Value of employee services received for issue of share option	-	-	-	-	-	789	-	789	-	789
Transfer to capital reserve	-	-	817	-	-	-	(817)	-	-	-
Acquisition of Minority Interests	-	-	-	-	-	-	-	-	(1,736)	(1,736)
Total transactions with owners	99,913	-	817	-	-	789	(29,333)	72,186	(1,736)	70,450
At 30.06.2010	205,027	(1,292)	9,342	2,485	(4,143)	17,569	242,522	471,510	26,520	498,030

STATEMENT OF CHANGES IN EQUITY OF THE GROUP (cont'd)

	Share capital	Reserve for own shares	Capital reserve	Foreign currency translation reserve	Hedging reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders 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	-	7,204	9,257	(13,496)	12,971	182,493	297,547	10,352	307,899
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	31,005	31,005	572	31,577
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	8,547	-	-	-	8,547	79	8,626
Share of net fair value gain on derivative financial instruments of associates	-	-	-	-	1,209	-	-	1,209	-	1,209
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(3,202)	-	-	(3,202)	-	(3,202)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	5,123	-	-	5,123	-	5,123
Share of statutory reserve of associates	-	-	102	-	-	-	-	102	-	102
Total comprehensive income for the period	-	-	102	8,547	3,130	-	31,005	42,784	651	43,435
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(18,020)	(18,020)	-	(18,020)
Issue of shares for cash under Employees' Share Option Scheme	970	-	-	-	-	-	-	970	-	970
Value of employee services received for issue of share option	-	-	-	-	-	2,215	-	2,215	-	2,215
Total transactions with owners	970	-	-	-	-	2,215	(18,020)	(14,835)	-	(14,835)
At 30.06.2009	100,088	-	7,306	17,804	(10,366)	15,186	195,478	325,496	11,003	336,499

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

	Share capital S\$'000	Reserve for own shares S\$'000	Employees' share option reserve S\$'000	Retained earnings S\$'000	Total equity attributable to equity holders of the Company S\$'000
At 1.1.2010	105,114	(1,292)	16,780	47,880	168,482
Loss for the period	-	-	-	(12,231)	(12,231)
Total comprehensive income for the period	-	-	-	(12,231)	(12,231)
Transactions with owners, recorded directly in equity					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(28,516)	(28,516)
Issue of shares for cash under Employees Share Option Scheme & Warrants Subscription Agreement	99,913	-	-	-	99,913
Value of employee services received for issue of share option	-	-	789	-	789
Total transactions with owners	99,913	-	789	(28,516)	72,186
At 30.06.2010	205,027	(1,292)	17,569	7,133	228,437
At 1.1.2009	99,118	-	12,971	62,116	174,205
Loss for the period	-	-	-	(3,317)	(3,317)
Total comprehensive income for the period	-	-	-	(3,317)	(3,317)
Transactions with owners, recorded directly in equity					
<i>Contributions by and distributions to owners</i>					
Dividends	-	-	-	(18,020)	(18,020)
Issue of shares for cash under Employees Share Option Scheme	970	-	-	-	970
Value of employee services received for issue of share option	-	-	2,215	-	2,215
Total transactions with owners	970	-	2,215	(18,020)	(14,835)
At 30.06.2009	100,088	-	15,186	40,779	156,053

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.

Changes in the Company's share capital

The movements in the Company's issued and fully paid-up share capital during the first half year ended 30 June 2010 were as follows:

Issued share capital

	No. of shares	Capital S\$'000
At 1 Jan 2010	528,365,360	103,822
Issue of share under the Employees' Share Option Scheme ("Scheme") and Warrant Subscription Agreement and Supplemental Warrant Subscription Agreement ("Agreements")	42,142,050	99,913
At 30 June 2010	570,507,410	203,735

As at 30 June 2010, the number of ordinary shares in issue was 570,507,410 (30 June 2009: 526,312,360), excluding 500,000 (30 June 2009: NIL) held by the Company as treasury shares.

Outstanding share options under the Scheme

	No. of options
At 1 Jan 2010	25,279,093
Options granted	2,630,000
Exercised/Forfeited	(2,775,187)
At 30 June 2010	25,133,906

Outstanding warrants under the Agreements

	No. of warrants
At 1 Jan 2010	40,216,863
Exercised/Forfeited	(40,216,863)
At 30 June 2010	-

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 June 2010 was 500,000 (31 Dec 2009: 500,000).

The total number of issued shares excluding treasury shares as at 30 June 2010 was 570,507,410 (31 Dec 2009: 528,365,360).

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 June 2010.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

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 2010. 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 27 (Amended)	Consolidated and Separate Financial Statements
FRS 103 (Revised)	Business Combinations
Amendments to FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
INT FRS 117	Distributions of Non-cash Assets to Owners
Improvements to FRSs 2009	

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:

	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
Based on the weighted average of 551,193,916 (30 June 2009: 525,497,193) ordinary shares in issue; and	4.83	4.92	6.11	5.90
On a fully diluted basis of 556,950,958 (30 June 2009: 526,312,360) ordinary shares	<u>4.78</u>	<u>4.91</u>	<u>6.04</u>	<u>5.89</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.

Net assets value per ordinary share:

	<u>Group</u>		<u>Company</u>	
	<u>30 June 10</u>	<u>31 Dec 09</u>	<u>30 June 10</u>	<u>31 Dec 09</u>
	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
Based on 570,507,410 (31 Dec 2009: 528,365,360) ordinary shares in issue	<u>82.65</u>	<u>69.1</u>	<u>40.04</u>	<u>31.9</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 \$140.4 million and recorded profit attributable to shareholders of the Group of \$27.3 million for the second quarter ended 30 June 2010, increased by 5% from \$25.9 million for the second quarter ended 30 June 2009.

8(a)(i) Revenue

The Group's revenue for the second quarter ended 30 June 2010 increased by 4% to \$140.4 million as compared to \$134.5 million for the second quarter ended 30 June 2009.

Sector Review

Revenue from the municipal sector increased by 4% from \$116.3 million to \$120.6 million and contributed 86% to the Group's revenue. Revenue from China and Middle East and North Africa's ("MENA") municipal sector was \$12.7 million and \$105.5 million respectively for the second quarter ended 30 June 2010.

Revenue from industrial sector increased by 10% from \$17.7 million for the second quarter ended 30 June 2009 to \$19.6 million for the second quarter ended 30 June 2010.

Geographical review

China accounted for 21% of total revenue, while MENA contributed approximately 76% of total revenue for the second quarter ended 30 June 2010.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs increased by 7% from \$72.5 million for the second quarter ended 30 June 2009 to \$77.2 million for the second quarter ended 30 June 2010 which was in line with the increase in sales volume.

Staff costs decreased 12% from \$14.3 million for the second quarter ended 30 June 2009 to \$12.6 million for the second quarter ended 30 June 2010.

Finance costs increased from \$2.0 million for the second quarter ended 30 June 2009 to \$4.6 million for the second quarter ended 30 June 2010 which was in line with higher bank borrowings.

Other expenses decreased from \$19.9 million for the second quarter ended 30 June 2009 to \$14.5 million for the second quarter ended 30 June 2010 due to lower selling and travelling expenses.

The tax charge for the second quarter ended 30 June 2010 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 June 2010 decreased by 2% and 3% respectively to 4.83 cents and 4.78 cents respectively compared to the second quarter ended 30 June 2009.

First half year review

The Group achieved a revenue of \$241.7 million and profit attributable to shareholders of the Company of \$33.7 million for the first half year ended 2010.

8(a)(iv) Revenue

The Group's revenue for the first half year ended 30 June 2010 increased by 9% to \$241.7 million as compared to \$222.7 million for the first half year ended 30 June 2009.

Sector Review

Revenue from the municipal sector increased by 9% from \$191.8 million for the first half year ended 30 June 2009 to \$208.8 million for the first half year ended 30 June 2010 and contributed 86% to the Group's revenue for the first half year ended 30 June 2010. Revenue from China and MENA's municipal sector for the first half year ended 30 June 2009 was \$17.7 million and \$183.1 million respectively .

Revenue from industrial sector increased by 5% from \$30.1 million for the first half year ended 30 June 2009 to \$31.5 million for the first half year ended 30 June 2010.

Geographical review

China accounted for 19% of the total revenue, while MENA contributed approximately 77% of the total revenue for the first half year ended 30 June 2010.

8(a)(v) Costs and expenses

Raw materials and consumables used and subcontractors' costs increased by 3% from \$132.4 million for the first half year ended 30 June 2009 to \$136.5 million for the first half year ended 30 June 2010 which was in line with the increase in sales volume.

Staff costs decreased from \$27.3 million for the first half year ended 30 June 2009 to \$25.6 million for the first year ended 30 June 2010.

Finance costs increased from \$4.9 million for the first half year ended 30 June 2009 to \$8.0 million for the first half year ended 30 June 2010 in line with higher bank borrowings.

Other expenses increased from \$24.7 million for the first half year ended 30 June 2009 to \$29.8 million for the first half year ended 30 June 2010 due to higher professional fees and foreign exchange differences.

The effective tax rate for the first half year ended 30 June 2010 was about 11.5% 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 earnings per share for the first half year ended 30 June 2010 increased by 4% to 6.11 cents and fully diluted earnings per share increases to 6.04 cents respectively compared to the first half year ended 30 June 2009.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$471.5 million as at 30 June 2010 from \$365.2 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the first half year ended 30 June 2010. Net profit in the first half year ended 30 June 2010 further boosted the Group's equity base.

Current assets increased to \$676.3 million as at 30 June 2010 from \$549.1 million as at 31 Dec 2009, which was mainly due to increases in amount due for contract work and cash and fixed deposits.

Non-current assets increased to \$558.3 million as at 30 June 2010 from \$523.4 million as at 31 Dec 2009, which was mainly due to increases in property, plant and equipment, intangible assets and investment in

associates by \$19.1 million, \$5.4 million and \$30 million respectively. The increase was offset by the lower trade and other receivables for trade amount due from associates.

Current liabilities increased slightly to \$335.3 million as at 30 June 2010 from \$317.9 million as at 31 Dec 2009, which was mainly due to the increase in trade-related payables during the financial period.

Non-current liabilities increased to \$401.4 million as at 30 June 2010 from \$361.3 million as at 31 Dec 2009, 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 June 2010 was \$222.7 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes will mature in 2012 and 2015.

The Group's net gearing ratio stood at 0.49 times as at 30 June 2010.

8(b)(ii) The Company

Shareholders' equity for the Company increased to \$228.4 million as at 30 June 2010 from \$168.5 million as at 31 Dec 2009. The increase was mainly attributable to the changes in share capital arising from the issue of shares under the "Scheme" and "Agreements" for the first half year ended 30 June 2010.

8(c) Statement of Cash flows

Second quarter and first half year ended 30 June 2010

The Group's cash position increased to \$180.7 million as at 30 June 2010 from \$166.7 million as at 31 Dec 2009.

For the second quarter and first half year ended 30 June 2010, net cash of \$4.2 million and \$37.9 million were used in the Group's operating activities, mainly towards 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 associates. Cash used in financing activities for the second quarter ended 30 June 2010 was mainly for the payment of dividend and repayment of borrowings. Cash from financing activities for the financial period ended 30 June 2010 was mainly arising from the issue of shares under the "Scheme" and "Agreements" for the first half year ended 30 June 2010.

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 water sector continues to offer significant expansion opportunities. The scarcity of clean water and a general lack of treatment of wastewater in developing countries, coupled with rapid industrialisation and agricultural demands, have necessitated governments' and municipalities' focus on larger and more complex water treatment facilities. The Group intends to expand its footprint in existing and new markets to fully capitalise on the opportunities it presents.

Progress in Engineering, Procurement and Construction (“EPC”) projects in Algeria and China are in line with schedule. The Group remains hopeful with the recovery of the industrial sector following the positive showing in the first half year. Municipal sector will continue to be the main driver of the Group’s revenue.

With Asia economies rebounding quickly, the pace of recovery could give rise to significant increases in the prices of commodities and in oil prices, thereby potentially raising business costs for the Group. The Group will continue to focus on cost management.

The Group announced on 2 August 2010 that it has entered into a 50:50 strategic joint venture with Mitsui & Co., Ltd. (“**Mitsui**”) of Japan to originate, invest, develop, construct, operate and maintain water plants in the People’s Republic of China (“**PRC**”) (“**Joint Venture**”).

The Joint Venture, which is held equally by the Group’s wholly-owned subsidiary, Hyflux Asset Management Pte Ltd, and Mitsui, has entered into a definitive agreement (“**Agreement**”) with Spring China Utility Ltd (“**Subsidiary**”), being also a wholly-owned subsidiary of the Group, for the transfer of its entire equity interest in each of Hyflux Utility (LP) Limited, Hyflux Utility WT (GCL) Limited, Hyflux Utility WT (MG) Limited, and Hyflux Utility (TY) Limited, being the respective special purpose vehicles (collectively the “**SPVs**”) which hold the Group’s following 4 water treatment plants in the PRC:

- (a) *Jiangxi Leping Water Treatment Plant*, located in Leping City, Jiangxi Province, PRC, with a design capacity of 30 million litres per day (“**MLD**”);
- (b) *Anhui Mingguang Water Treatment Plant*, located in Mingguang City, Anhui Province, PRC, with a design capacity of 35 MLD;
- (c) *Hunan Taoyuan Water Treatment Plant*, located in Taoyuan County, Hunan Province, PRC, with a design capacity of 60 MLD; and
- (d) *Liaoning Gongchangling Water Treatment Plant*, located in Gongchangling District, Liaoyang City, Liaoning Province, PRC, with a design capacity of 40 MLD

for an aggregate consideration of US\$ 53.1 million.

Completion of the above transaction is expected to take place on or about Q42010 or such other date as the parties may mutually agree. Subject to the terms and conditions of the Agreement, completion of the transfer of each SPV may also, where applicable, take place at different times.

The Joint Venture, on the same day 2 August 2010, have presented a formal proposal (“Delisting Proposal”) to the Trustee-Manager of Hyflux Water Trust (“HWT”) to seek a voluntary delisting of HWT from the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Delisting is proposed to be made pursuant to Rules 1307 and 1309 of the listing manual of the SGX-ST. Under the Delisting Proposal, Nomura Singapore Limited will make, for and on behalf of the Joint Venture, an exit offer to acquire all the Offer Units.

Hyflux Water Projects Ltd (“HWP”) and the Joint Venture have also entered into a sale and purchase agreement on 2 August 2010, where HWP has agreed to sell, and the Joint Venture has agreed to purchase, the 94,500,000 Units held by HWP (“HWP SPA”) for a cash consideration of S\$0.78 per Unit. Completion of the HWP SPA is conditional upon the Exit Offer becoming or being declared unconditional in all respects, and will take place within 10 calendar days after the condition is fulfilled. As at the date of this announcement, HWP has indicated to the Joint Venture that, pending completion of the HWP SPA, it will vote in favour of the Delisting Resolution in respect of all Units that are currently held by it.

The sale of the 4 water treatment plants in the PRC, owned by the Group is not contingent upon the successful delisting of HWT.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

Name of dividend	Interim
Dividend type	Cash
Dividend rate	1.00 cent per ordinary share
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?

None.

(c) Date payable

15 September 2010

(d) Books closure date

30 August 2010

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

Not applicable.

13. Confirmation Pursuant to Rule 705(5) of the Listing Manual

The directors of the Company confirm that to the best of their knowledge, nothing has come to the attention of the board of directors which may render the financial results for the quarter ended 30 June 10 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
5 August 2010