



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For Second Quarter and Half Year Ended 30 June 2011

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 2011**

	<u>Group</u>					
	<u>Quarter ended 30 Jun</u>			<u>Half year ended 30 Jun</u>		
	2011	2010	Change	2011	2010	Change
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Revenue	111,081	140,399	(21)	197,895	241,739	(18)
Other income	2,819	2,953	(5)	4,035	4,202	(4)
Changes in inventories of finished goods and work-in-progress	130	(1,213)	NM	571	(1,782)	NM
Raw materials and consumables used and subcontractors' cost	(55,905)	(77,199)	(28)	(99,250)	(136,474)	(27)
Staff costs	(14,207)	(12,573)	13	(25,938)	(25,646)	1
Depreciation and amortisation	(5,008)	(3,407)	47	(9,947)	(6,760)	47
Other expenses	(12,457)	(14,544)	(14)	(29,227)	(29,752)	(2)
Finance costs	(5,712)	(4,556)	25	(11,254)	(8,019)	40
Share of (loss)/profit of associates, net of tax	(1,325)	1,385	NM	466	700	(33)
Profit before income tax	<u>19,416</u>	<u>31,245</u>	<u>(38)</u>	<u>27,351</u>	<u>38,208</u>	<u>(28)</u>
Income tax expense	(3,792)	(3,283)	16	(4,378)	(4,378)	-
Profit for the period	<u><u>15,624</u></u>	<u><u>27,962</u></u>	<u><u>(44)</u></u>	<u><u>22,973</u></u>	<u><u>33,830</u></u>	<u><u>(32)</u></u>
Profit attributable to:						
Owners of the Company	14,526	27,266	(47)	21,906	33,667	(35)
Non-controlling interests	<u>1,098</u>	<u>696</u>	58	<u>1,067</u>	<u>163</u>	NM
	<u><u>15,624</u></u>	<u><u>27,962</u></u>	<u><u>(44)</u></u>	<u><u>22,973</u></u>	<u><u>33,830</u></u>	<u><u>(32)</u></u>

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2011**

	<u>Group</u>					
	<u>Quarter ended 30 Jun</u>			<u>Half year ended 30 Jun</u>		
	2011	2010	Change	2011	2010	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	15,624	27,962	(44)	22,973	33,830	(32)
Other comprehensive income for the period						
Foreign currency translation differences for foreign operations	(6,543)	(566)	NM	(11,250)	(2,123)	NM
Share of hedging reserve of associates	135	(76)	NM	355	(159)	NM
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	431	NM
Effective portion of changes in fair value of cash flow hedges	-	2,229	NM	-	2,301	NM
Share of statutory reserve of associates	-	(318)	NM	-	(102)	NM
Other comprehensive (loss)/income for the period, net of tax	<u>(6,408)</u>	<u>1,269</u>	NM	<u>(10,895)</u>	<u>348</u>	NM
Total comprehensive income for the period	<u>9,216</u>	<u>29,231</u>	(68)	<u>12,078</u>	<u>34,178</u>	(65)
Total comprehensive income attributable to:						
Owners of the Company	8,216	28,620	(71)	11,300	34,080	(67)
Non-controlling interests	<u>1,000</u>	<u>611</u>	64	<u>778</u>	<u>98</u>	NM
	<u>9,216</u>	<u>29,231</u>	(68)	<u>12,078</u>	<u>34,178</u>	(65)

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>Group</u>					
	<u>Quarter ended 30 Jun</u>			<u>Half year ended 30 Jun</u>		
	2011	2010	Change	2011	2010	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Fair value gain/(loss) on derivative financial instruments	302	-	NM	(344)	120	NM
Finance income	698	803	(13)	1,385	1,465	(5)
Net foreign exchange loss	(1,932)	(3,360)	(43)	(2,980)	(4,057)	(27)
Write back/(impairment) of trade and other receivables	282	(1,444)	NM	354	(1,288)	NM
Gain/(loss) on sale of property, plant and equipment	4	384	(99)	6	(10)	NM
Impairment of investments	-	(263)	NM	-	(263)	NM

NM: Not meaningful

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	<u>Group</u>		<u>Company</u>	
	30 Jun 11 S\$'000	31 Dec 10 S\$'000	30 Jun 11 S\$'000	31 Dec 10 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	159,401	155,826	-	-
Intangible assets	61,394	62,075	1,763	1,779
Intangible assets arising from service concession arrangements	124,854	129,494	-	-
Investments in subsidiaries	-	-	119,820	119,820
Investments in joint venture	-	-	3,125	3,125
Investments in associates	107,777	75,032	13,508	13,320
Financial receivables	255,695	226,149	-	-
Trade and other receivables	15,057	15,816	16,099	16,924
Deferred tax assets	1,108	1,616	-	-
	<u>725,286</u>	<u>666,008</u>	<u>154,315</u>	<u>154,968</u>
<u>CURRENT ASSETS</u>				
Asset classified as held for sale	3,171	-	-	-
Gross amounts due for contract work	177,599	254,469	-	-
Inventories	28,616	26,261	-	-
Financial receivables	5,865	5,851	-	-
Trade and other receivables, including derivatives	221,268	182,398	764,402	608,382
Other investments	-	2,429	-	2,429
Cash and cash equivalents	446,452	222,286	297,966	65,656
	<u>882,971</u>	<u>693,694</u>	<u>1,062,368</u>	<u>676,467</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables	165,445	210,038	167,077	73,480
Loans and borrowings	35,851	95,660	25,886	52,538
Tax payable	9,709	10,251	2,888	2,893
	<u>211,005</u>	<u>315,949</u>	<u>195,851</u>	<u>128,911</u>
Net current assets	671,966	377,745	866,517	547,556
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	479,406	503,606	377,621	443,668
Deferred tax liabilities	24,398	25,640	-	-
	<u>503,804</u>	<u>529,246</u>	<u>377,621</u>	<u>443,668</u>
Net assets	893,448	514,507	643,211	258,856
<u>EQUITY</u>				
Share capital	603,949	207,474	603,949	207,474
Reserve for own shares	(1,292)	(1,292)	(1,292)	(1,292)
Capital reserve	5,017	4,752	265	-
Foreign currency translation reserve	(25,598)	(14,637)	-	-
Hedging reserve	(3,205)	(3,560)	-	-
Employees' share option reserve	19,105	18,609	19,105	18,609
Retained earnings	282,688	291,155	21,184	34,065
Total equity attributable to equity holders of the Company	880,664	502,501	643,211	258,856
Non-controlling interests	12,784	12,006	-	-
Total equity	893,448	514,507	643,211	258,856
<i>Group net borrowings (S\$)</i>	68,805	376,980	n.a.	n.a.
<i>Group net gearing (times)</i>	0.08x	0.73x	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 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	35,851	43,122	52,538

(ii) Amount repayable after one year

30 Jun 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
43,390	436,016	-	503,606

Details of any collateral

Secured bank loans of the Group are secured by a joint venture's share mortgages of all its shares of China subsidiaries.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2011**

	<u>Group</u>			
	<u>Quarter ended 30 Jun</u>		<u>Half year ended 30 Jun</u>	
	2011	2010	2011	2010
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	19,416	31,245	27,351	38,208
Adjustments for:				
Employees' share option expense	144	789	496	789
Fair value (gain)/loss on derivative financial instruments	(302)	-	344	(120)
(Gain)/loss on sale of property, plant and equipment	(4)	(384)	(6)	10
Share of loss/(profit) of associates	1,325	(1,385)	(466)	(700)
Depreciation and amortisation	5,008	3,407	9,947	6,760
Impairment of investments	-	263	-	263
Finance costs	5,712	4,556	11,254	8,019
Finance income	(698)	(803)	(1,385)	(1,465)
(Write back)/impairment of trade and other receivables	(282)	1,444	(354)	1,288
	<u>30,319</u>	<u>39,132</u>	<u>47,181</u>	<u>53,052</u>
Change in inventories	(1,069)	2,513	(1,730)	4,978
Change in gross amounts due for contract work	88,764	(102,250)	76,870	(171,945)
Change in trade and other receivables	(24,826)	44,446	(38,355)	46,515
Change in financial receivables	(22,019)	(1,749)	(29,553)	(3,245)
Change in trade and other payables	(10,825)	15,945	(47,841)	36,777
Cash from/(used in) in operating activities	60,344	(1,963)	6,572	(33,868)
Income tax paid	(4,042)	(2,529)	(4,593)	(4,279)
Net cash from/(used in) operating activities	<u>56,302</u>	<u>(4,492)</u>	<u>1,979</u>	<u>(38,147)</u>
Cash flows from investing activities				
Acquisition of property, plant and equipment	(9,831)	(8,019)	(16,468)	(14,985)
Acquisition of intangible assets	(891)	(3,286)	(2,382)	(6,217)
Additional investment in associates	(33,079)	(23,692)	(33,079)	(23,692)
Acquisition of non-controlling interests	-	(919)	-	(2,836)
Proceeds from sale of other investments	-	-	2,429	-
Proceeds from sale of property, plant and equipment	18	227	18	541
Dividends received from associates	360	360	660	6,051
Change in amounts due from related parties (non-trade)	(3,971)	(246)	(215)	3,335
Interest received	603	712	1,197	1,286
Net cash used in investing activities	<u>(46,791)</u>	<u>(34,863)</u>	<u>(47,840)</u>	<u>(36,517)</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2011 (cont'd)**

	<u>Group</u>			
	<u>Quarter ended 30 Jun</u>		<u>Half year ended 30 Jun</u>	
	2011	2010	2011	2010
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Proceeds from exercise of share options and warrants	499	77,771	3,906	99,913
Net proceeds from preference shares	392,569	-	392,569	-
Proceeds from borrowings	2,879	1,208	109,573	84,466
Repayment of borrowings	(99,210)	(22,004)	(199,852)	(57,762)
Repayment of lease liabilities	-	-	-	(73)
Interest paid	(2,265)	(6,380)	(10,022)	(7,867)
Dividends paid	(30,108)	(28,516)	(30,108)	(28,516)
Decrease in deposits pledged	201	-	204	-
Net cash from financing activities	264,565	22,079	266,270	90,161
Net increase/(decrease) in cash and cash equivalents	274,076	(17,276)	220,409	15,497
Cash and cash equivalents at beginning of the period	165,195	198,828	222,082	166,735
Effect of exchange rate changes	(2,784)	(818)	(6,004)	(1,498)
Cash and cash equivalents at end of the period	436,487	180,734	436,487	180,734

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

1(c)(i) Cash and cash equivalents included in consolidated statement of cash flows comprise of the following:

	<u>Group</u>	
	<u>Half year ended 30 Jun</u>	
	2011	2010
	S\$'000	S\$'000
Cash and cash equivalents as per statement of financial position	446,452	180,734
Less: Bank overdraft	(9,965)	-
Cash and cash equivalents as per statement of cash flows	436,487	180,734

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	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2011	207,474	(1,292)	4,752	(14,637)	(3,560)	18,609	291,155	502,501	12,006	514,507
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	21,906	21,906	1,067	22,973
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(10,961)	-	-	-	(10,961)	(289)	(11,250)
Share of hedging reserve of associates	-	-	-	-	355	-	-	355	-	355
Total comprehensive (loss)/income for the period	-	-	-	(10,961)	355	-	21,906	11,300	778	12,078
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	-	(30,108)	(30,108)	-	(30,108)
Issue of shares for cash under Employees' Share Option Scheme	3,906	-	-	-	-	-	-	3,906	-	3,906
Issue of Class A Cumulative Preference Shares	392,569	-	-	-	-	-	-	392,569	-	392,569
Value of employee services received for issue of share options	-	-	-	-	-	496	-	496	-	496
Transfer of preference shares issue expenses to capital reserve	-	-	265	-	-	-	(265)	-	-	-
Total transactions with owners	396,475	-	265	-	-	496	(30,373)	366,863	-	366,863
At 30.06.2011	603,949	(1,292)	5,017	(25,598)	(3,205)	19,105	282,688	880,664	12,784	893,448

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	Non-controlling 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 hedging reserve 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	3,734	-	-	-	-	-	-	3,734	-	3,734
Issue of shares for cash under warrant subscription agreements	96,179	-	-	-	-	-	-	96,179	-	96,179
Value of employee services received for issue of share options	-	-	-	-	-	789	-	789	-	789
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(1,736)	(1,736)
Transfer to capital reserve	-	-	817	-	-	-	(817)	-	-	-
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

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

	Share capital	Reserve for own shares	Capital reserve	Employees' share option reserve	Retained earnings	Total equity attributable to equity holders of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2011	207,474	(1,292)	-	18,609	34,065	258,856
Profit for the period	-	-	-	-	17,492	17,492
Total comprehensive income for the period	-	-	-	-	17,492	17,492
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	-	-	(30,108)	(30,108)
Issue of shares for cash under Employees' Share Option Scheme	3,906	-	-	-	-	3,906
Issue of Class A Cumulative Preference Shares	392,569	-	-	-	-	392,569
Value of employee services received for issue of share options	-	-	-	496	-	496
Transfer of preference shares issue expenses to capital reserve	-	-	265	-	(265)	-
Total transactions with owners	396,475	-	265	496	(30,373)	366,863
At 30.06.2011	603,949	(1,292)	265	19,105	21,184	643,211
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	3,734	-	-	-	-	3,734
Issue of shares for cash under warrant subscription agreements	96,179	-	-	-	-	96,179
Value of employee services received for issue of share options	-	-	-	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

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 Jun 2011 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 Jan 2011	857,931,364	206,182
Issue of shares under the Employees' Share Option Scheme ("Scheme")	<u>2,516,000</u>	<u>3,906</u>
At 30 Jun 2011	<u>860,447,364</u>	<u>210,088</u>
Preference shares		
At 1 Jan 2011	-	-
Issue of Class A Cumulative Preference Shares	<u>4,000,000</u>	<u>392,569</u>
At 30 Jun 2011	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 30 Jun 2011		<u><u>602,657</u></u>

As at 30 Jun 2011, the number of ordinary shares in issue was 860,447,364 (30 Jun 2010: 570,507,410), excluding 500,000 (30 Jun 2010: 500,000) held by the Company as treasury shares.

In Apr 2011, the the Company issued 4,000,000 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares ("Class A Cumulative Preference Shares") listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Outstanding share options under the Scheme

	No. of options
At 1 Jan 2011	35,640,369
Options granted	5,430,000
Exercised/Forfeited	<u>(4,619,000)</u>
At 30 Jun 2011	<u>36,451,369</u>

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 ordinary shares held as treasury shares as at 30 Jun 2011 was 500,000 (31 Dec 2010: 500,000).

The total number of issued ordinary shares excluding treasury shares as at 30 Jun 2011 was 860,447,364 (31 Dec 2010: 857,931,364).

The total number of issued Class A Cumulative Preference Shares as at 30 Jun 2011 was 4,000,000 (31 Dec 2010: nil).

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 2011.

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 has reviewed the application of the new/revised FRS and Interpretations of FRS that are effective for annual periods beginning on or after 1 January 2011. None of these are expected to have a 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

	Quarter ended 30 Jun			Half year ended 30 Jun		
	2011	2010 Restated	Change %	2011	2010 Restated	Change %
Earnings per ordinary share of the Group based on net profit attributable to equity holders:-						
Based on the weighted average number of ordinary shares in issue	1.22 cts	3.22 cts	(62.1)	2.08 cts	4.07 cts	(48.9)
- Weighted average number of shares	860,015,364	846,715,928	1.6	860,065,864	826,790,874	4.0
On a fully diluted basis of ordinary shares	1.21 cts	3.19 cts	(62.1)	2.06 cts	4.03 cts	(48.9)
- Adjusted weighted average number of shares	<u>869,317,184</u>	<u>855,611,481</u>	1.6	<u>868,241,589</u>	<u>835,426,436</u>	3.9

For comparative purposes, the number of ordinary shares as at 30 Jun 2010 has been adjusted to include issue of one bonus share for every two existing ordinary shares.

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>	
	30 Jun 11 Cents	31 Dec 10 Cents	30 Jun 11 Cents	31 Dec 10 Cents
Based on 860,447,364 (31 Dec 2010): 857,931,364) ordinary shares in issue	102.3	58.6	74.8	30.2

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 recorded a revenue of \$111.1 million and profit attributable to shareholders of the Group of \$14.5 million for the second quarter ended 30 Jun 2011 ("2Q2011"). The decline in net profit attributable to shareholders of the Company from the second quarter ended 30 June 2010 ("2Q2010") of \$27.3 million was caused mainly by higher financing, depreciation and amortisation costs in 2Q2011. In addition, the Group was subjected to higher effective tax rates due to higher profit contributions from entities in jurisdictions that attract higher statutory tax rates.

8(a)(i) Revenue

The Group's revenue for the 2Q2011 decreased by 21% to \$111.1 million as compared to \$140.4 million for 2Q2010, the result of the anticipated decrease in contributions from the MENA market with near completion of some of the Group's projects there.

Sector Review

Revenue from the municipal sector decreased by 20% from \$120.6 million to \$97.0 million and contributed 87% to the Group's revenue. Revenue contributions from the municipal sectors of China and Middle East and North Africa ("MENA") were \$24.7 million and \$52.5 million respectively for the 2Q2011.

Revenue from the industrial sector decreased by 34% from \$19.6 million for the 2Q2010 to \$13.0 million for 2Q2011.

The municipal sector continues to be the Group's major contributor with executions of projects in MENA, China and Singapore.

Geographical review

The Group's geographical mix for 2Q2011 showed a shift in contributions from MENA to Asia. China accounted for 33% of the total revenue, while MENA contributed approximately 47% of the total revenue. As for Singapore and Others, the Group saw an increase from 3% revenue contribution in 2Q2010 to 20% in 2Q2011, driven by progress of the Group's projects in Singapore.

With the completion of the seawater reverse osmosis ("SWRO") desalination plant in Tlemcen, Algeria and the near completion of the other SWRO projects in Algeria and Oman, the contribution to total revenue from the MENA market decreased from 76% in 2Q2010 to 47% in 2Q2011.

8(a)(ii) Costs and expenses

Raw materials and consumables used and subcontractors' costs decreased by 28% from \$77.2 million in 2Q 2010 to \$55.9 million in 2Q2011 which was in line with the decrease in revenue.

Staff costs increased from \$12.6 million in 2Q2010 to \$14.2 million in 2Q2011.

Finance costs increased from \$4.6 million in 2Q2010 to \$5.7 million in 2Q2011 due to higher bank borrowings as the Group gears up for the development of its Tuaspring Desalination Plant.

Depreciation and amortisation increased from \$3.4 million in 2Q2010 to \$5.0 million in 2Q2011 due to change in useful life of intangible assets from 10-15 years to 8 years in addition to increase in property, plant and equipment and intangible assets.

Other expenses decreased from \$14.5 million in 2Q2010 to \$12.5 million in 2Q2011.

The tax charge for 2Q2011 was higher than the prevailing corporate tax rate in Singapore. This was due mainly to higher profit contribution from entities in jurisdictions that attract higher statutory tax rates.

8(a)(iii) Earnings

Basic and fully diluted earnings per share for 2Q2011 decreased by 62% to 1.22 cents and 1.21 cents respectively as compared to 2Q2010.

First half year review

The Group recorded revenue of \$197.9 million and profit attributable to shareholders of the Company of \$21.9 million for the first half year ended 30 June 2011 ("1H2011"). The 35% decline in net profit attributable to shareholders of the Company from the first half year ended 30 June 2010 ("1H2010") of \$33.7 million was caused mainly by higher financing, depreciation and amortisation costs in 1H2011. In addition, the Group was subjected to higher effective tax rates due to higher profit contributions from entities in jurisdictions that attract higher statutory tax rates.

8(a)(iv) Revenue

The Group's revenue for 1H2011 decreased by 18% to \$197.9 million as compared to \$241.7 million for 1H2010, the result of the anticipated decrease in contributions from the MENA market with near completion of some of the Group's projects there.

Sector Review

Revenue from the municipal sector decreased from \$208.8 million for 1H2010 to \$167.3 million for 1H2011. The municipal sector contributed 84% to the Group's revenue in 1H2011, a 2% point drop from 86% in 1H2010. Revenue contributions from the municipal sectors of China and MENA for 1H2011 were \$46.8 million and \$85.2 million respectively.

Revenue from the industrial sector decreased by 13% from \$31.5 million for 1H2010 to \$27.3 million for 1H2011.

The municipal sector continues to be the Group's major contributor with executions of projects in MENA, China and Singapore.

Geographical review

The Group saw a shift in the geographical mix of its revenue in 1H2011 from MENA to Asia. China accounted for 36% of the total revenue, while MENA contributed approximately 44% of the total revenue for 1H2011. The Group saw a significant increase of \$24.9 million in China revenue contribution from \$45.7 million in 1H2010 to \$70.7 million in 1H2011. This was mainly due to increased activities in the municipal sector with certain existing plants undergoing capacity expansion as well as contributions from the three water projects for Hechuan Industrial Park in Chongqing City that were awarded to the Group early this year. Consequently, China represented 36% of total revenue in 1H2011 as compared to 19% in 1H2010.

On the other hand, contributions from the MENA market decreased from \$185.1 million in 1H2010 to \$86.6 million in 1H2011, representing a decline from 77% in 1H2010 to 44% in 1H2011 of the Group's total revenue. This was the result of lower EPC activities, with the completion of the seawater reverse osmosis ("SWRO") desalination plant in Tlemcen, Algeria and with the other SWRO projects in Algeria and Oman nearing completion.

As for our Singapore and Others markets, the Group saw an increase from \$10.9 million in 1H2010 to \$40.6 million in 1H2011 contributed by the progress of the Group's projects in Singapore. Singapore and Others contributed 20% of the Group's total revenue in 1H2011 from 4% in 1H2010.

8(a)(v) Costs and expenses

Raw materials and consumables used and subcontractors' costs decreased by 27% from \$136.5 million in 1H2010 to \$99.3 million in 1H2011 which was in line with the decrease in revenue.

Staff costs increased marginally from \$25.6 million in 1H2010 to \$25.9 million for 1H2011.

Finance costs increased from \$8.0 million in 1H2010 to \$11.3 million in 1H2011 due to higher bank borrowings as the Group gears up for the development of its Tuaspring Desalination Plant.

Depreciation and amortisation increased from \$6.8 million in 1H2010 to \$9.9 million in 1H2011 due to change in useful life of intangible assets from 10-15 years to 8 years in addition to increase in property, plant and equipment and intangible assets.

Other expenses decreased marginally from \$29.8 million in 1H2010 to \$29.2 million in 1H2011.

The effective tax rate for 1H2011 was higher as compared to 1H2010 mainly due to higher profit contribution from entities in jurisdictions such as China and MENA that attract higher statutory tax rates.

8(a)(vi) Earnings

Basic and fully diluted earnings per share for 1H2011 decreased by 49% to 2.08 cents and 2.06 cents respectively as compared to 1H2010.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$880.7 million as at 30 Jun 2011 from \$502.5 million as at 31 Dec 2010. The increase was mainly attributable to the changes in share capital arising from the issue of Class A Cumulative Preference Shares and shares under the Employees' Share Option Scheme for 1H2011. Net profit in 1H 2011 further boosted the Group's equity base.

Current assets increased to \$883.0 million as at 30 Jun 2011 from \$693.7 million as at 31 Dec 2010, which was mainly due to net proceeds from issuance of Class A Cumulative Preference Shares of \$393 million and trade and other receivables. The increase was offset by the lower gross amounts due for contract work.

Non-current assets increased to \$725.3 million as at 30 Jun 2011 from \$666.0 million as at 31 Dec 2010, which was mainly due to increases in financial receivables by \$29.5 million and investments in associates by \$32.7 million.

Current liabilities decreased to \$211.0 million as at 30 Jun 2011 from \$315.9 million as at 31 Dec 2010, which was mainly due to the decrease in trade-related payables during the financial period and repayment of short-term loans.

Non-current liabilities decreased to \$503.8 million as at 30 Jun 2011 from \$529.2 million as at 31 Dec 2010, resulting mainly from the repayment of bank borrowings during the financial period. Included in the loans and borrowings as at 30 Jun 2011 was \$264.2 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. The Notes mature between 2012 and 2016.

The Group's net gearing ratio stood at 0.08 times as at 30 Jun 2011 with the recent launch of Class A Cumulative Preference Shares in Apr 2011.

8(b)(ii) The Company

The Company's shareholders' equity increased to \$618.2 million as at 30 Jun 2011 from \$258.9 million as at 31 Dec 2010. The increase was mainly attributable to the changes in share capital arising from the issue of Class A Cumulative Preference Shares and shares under the Employees' Share Option Scheme for 1H2011.

8(c) Statement of Cash flows

Second quarter and first half year

The Group's cash position increased to \$446.5 million as at 30 Jun 2011 from \$222.3 million as at 31 Dec 2010.

For 2Q2011 and 1H2011, net cash of \$56.3 million and \$2.0 million respectively were generated from 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 to support the Group's expansion. Cash generated from financing activities for 1H2011 was mainly from proceeds from Class A Cumulative Preference Shares to fund the Group's projects.

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 Group's order book at the end of June 2011 stood at a record S\$2.1 billion, comprising S\$1.16 billion of engineering, procurement and construction ("EPC") contracts and S\$940 million worth of operations and maintenance contracts. The total order book was the highest to date recorded at six-month reporting periods.

China and Singapore will continue to be key revenue drivers for the rest of FY2011. Work on the new projects in China that were secured early this year is expected to be ramped up. Since the 5 July 2011 ground-breaking of Singapore's largest desalination plant, the 318,500 m³/day capacity Tuaspring Desalination Plant, preparations have been progressing steadily for the start of EPC works on the project. The Tuaspring desalination project is expected to make maiden contribution in this current financial year.

Last week, the Group announced that a fire had broken out at the warehouse containing equipment and supplies for the Magtaa Desalination Plant in Algeria. As a result of the fire, the project's completion would be delayed by some nine months to May 2012 as new equipment and supplies would need to be re-procured. To date, the plant is more than 80% completed. Initial estimates put the cost of damages at about US\$50 million. The Group would be working with the insurers to investigate the cause of the fire and to make claims accordingly.

On the macro front, the global outlook has become more uncertain as economic growth slowed and unemployment in the United States ("US"), Europe and Japan remained persistently high. The situation in the US and Europe could have adverse effects on the world economies. Additionally, moderating growth and tighter fiscal and monetary policies in China may have negative impact to the municipal infrastructure project investments.

With the Group current low gearing and strong cash position, we are in a good position to capture potential opportunities. The Group will ride on its reputation as a leading desalination supplier and leverage on its fully-integrated platform to bid for projects either singly or with its strategic partners.

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	0.67 cents 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?

Name of dividend	Interim
Dividend type	Cash
Dividend rate	0.67 cents per ordinary share*
Tax rate	One tier tax-exempt

* *Adjusted for the effect of bonus shares issue in Dec 2010. Interim dividends were declared at 1.00 cent per ordinary share.*

(c) Date payable

7 September 2011

(d) Books closure date

16 August 2011

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 Jun 11 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
4 August 2011