



HYFLUX LTD  
 Registration number : 200002722Z

**Unaudited Financial Statements For The Financial Year Ended 31 December 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 FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>Group</u>		
	2011	2010	Change
	S\$'000	S\$'000	%
<b>Revenue</b>	481,975	569,737	(15)
Other income	8,064	6,855	18
Changes in inventories of finished goods and work-in-progress	(408)	2,641	NM
Raw materials and consumables used and subcontractors' cost	(259,473)	(302,961)	(14)
Staff costs	(60,040)	(65,408)	(8)
Depreciation, amortisation and impairment	(36,637)	(27,501)	33
Other expenses	(50,067)	(68,089)	(26)
Finance costs	(22,597)	(16,760)	35
Share of profit of associates, net of income tax	1,226	1,959	(37)
<b>Profit before income tax</b>	<u>62,043</u>	<u>100,473</u>	<u>(38)</u>
Income tax expense	(6,318)	(11,588)	(45)
<b>Profit for the year</b>	<u><u>55,725</u></u>	<u><u>88,885</u></u>	<u>(37)</u>
<b>Profit attributable to:</b>			
Owners of the Company	53,027	88,510	(40)
Non-controlling interests	2,698	375	NM
	<u><u>55,725</u></u>	<u><u>88,885</u></u>	<u>(37)</u>

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>Group</u>		
	2011	2010	Change
	S\$'000	S\$'000	%
<b>Profit for the year</b>	55,725	88,885	(37)
<b>Other comprehensive income for the year</b>			
Foreign currency translation differences for foreign operations	18,831	(20,310)	NM
Share of hedging reserve of associates	342	424	(19)
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	(778)	2,301	NM
Share of statutory reserve of associates	-	(102)	NM
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<u>18,395</u>	<u>(17,256)</u>	<b>NM</b>
<b>Total comprehensive income for the year</b>	<u>74,120</u>	<u>71,629</u>	<b>3</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	70,863	72,384	(2)
Non-controlling interests	3,257	(755)	NM
	<u>74,120</u>	<u>71,629</u>	<b>3</b>

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>		
	2011	2010	Change
	S\$'000	S\$'000	%
Allowance for inventory obsolescence	(113)	(1,412)	(92)
Bad debts recovered	-	822	NM
Depreciation, amortisation and impairment	(36,637)	(27,501)	33
Fair value (loss)/gain on derivative financial instruments	(594)	754	NM
Finance income	3,041	3,125	(3)
Financial receivable written off	(3,056)	-	NM
Gain on liquidation of subsidiaries	296	-	NM
Gain on sale of investment property	-	1,186	NM
Gain/(loss) on sale of property, plant and equipment	11,899	(380)	NM
Impairment of investments	-	(264)	NM
Impairment of trade and other receivables	(2,889)	(1,526)	89
Intangible assets written off	(25)	-	NM
Net foreign exchange loss	(2,123)	(16,355)	(87)
Over/(under) provision of prior years' tax	<u>3,331</u>	<u>(341)</u>	NM

NM: Not meaningful

**1(b)(i) Statement 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 31 DECEMBER 2011**

	<u>Group</u>		<u>Company</u>	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
<b><u>NON-CURRENT ASSETS</u></b>				
Property, plant and equipment	188,571	155,826	-	-
Intangible assets	43,876	62,075	-	1,779
Intangible assets arising from service concession arrangements	154,937	129,494	-	-
Investments in subsidiaries	-	-	169,420	119,820
Investments in joint venture	-	-	3,125	3,125
Investments in associates	108,887	75,032	13,704	13,320
Financial receivables	418,320	226,149	-	-
Trade and other receivables	15,552	15,816	445,312	16,924
Deferred tax assets	2,829	1,616	-	-
	<u>932,972</u>	<u>666,008</u>	<u>631,561</u>	<u>154,968</u>
<b><u>CURRENT ASSETS</u></b>				
Gross amounts due for contract work	176,910	254,469	-	-
Inventories	24,195	26,261	-	-
Financial receivables	4,937	5,851	-	-
Trade and other receivables, including derivatives	231,093	182,398	729,141	608,382
Other investments	-	2,429	-	2,429
Cash and cash equivalents	662,358	222,286	96,407	65,656
	<u>1,099,493</u>	<u>693,694</u>	<u>825,548</u>	<u>676,467</u>
<b><u>CURRENT LIABILITIES</u></b>				
Trade and other payables, including derivatives	227,840	210,038	135,567	73,480
Loans and borrowings	118,121	95,660	88,438	52,538
Tax payable	10,262	10,251	2,983	2,893
	<u>356,223</u>	<u>315,949</u>	<u>226,988</u>	<u>128,911</u>
<b>Net current assets</b>	<b>743,270</b>	<b>377,745</b>	<b>598,560</b>	<b>547,556</b>
<b><u>NON-CURRENT LIABILITIES</u></b>				
Loans and borrowings	712,301	503,606	573,811	443,668
Deferred tax liabilities	28,374	25,640	-	-
	<u>740,675</u>	<u>529,246</u>	<u>573,811</u>	<u>443,668</u>
<b>Net assets</b>	<b>935,567</b>	<b>514,507</b>	<b>656,310</b>	<b>258,856</b>
<b><u>EQUITY</u></b>				
Share capital	604,740	207,474	604,740	207,474
Reserve for own shares	(4,461)	(1,292)	(4,461)	(1,292)
Capital reserve	6,467	4,752	796	-
Foreign currency translation reserve	3,635	(14,637)	-	-
Hedging reserve	(3,996)	(3,560)	-	-
Employees' share option reserve	19,647	18,609	19,647	18,609
Retained earnings	294,559	291,155	35,588	34,065
<b>Total equity attributable to equity holders of the Company</b>	<b>920,591</b>	<b>502,501</b>	<b>656,310</b>	<b>258,856</b>
<b>Non-controlling interests</b>	<b>14,976</b>	<b>12,006</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>935,567</b>	<b>514,507</b>	<b>656,310</b>	<b>258,856</b>
<i>Group net borrowings (S\$)</i>	168,064	376,980	n.a.	n.a.
<i>Group net gearing (times)</i>	0.18x	0.75x	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

31 Dec 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
6,482	111,639	43,122	52,538

#### (ii) Amount repayable after one year

31 Dec 11		31 Dec 10	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
78,096	634,205	-	503,606

#### Details of any collateral

As at 31 Dec 2010, secured bank loans of the Group was secured by a joint venture's share mortgages of all its shares of China subsidiaries.

As at 31 Dec 2011, secured bank loans of the Group are secured by a joint venture's share mortgages of all its shares of China subsidiaries and a charge over a subsidiary's leasehold property and bank account.

**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 FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>Group</u>	
	2011	2010
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	62,043	100,473
Adjustments for:		
Allowance for inventory obsolescence	113	1,412
Depreciation, amortisation and impairment	36,637	27,501
Employees' share option expense	1,038	1,829
Fair value loss/(gain) on derivative financial instruments	594	(754)
Finance costs	22,597	16,760
Finance income	(3,041)	(3,125)
Financial receivable written off	3,056	-
Gain on sale of investment property	-	(1,186)
(Gain)/loss on sale of property, plant and equipment	(11,899)	380
Impairment of investments	-	264
Impairment of trade and other receivables	2,889	1,526
Intangible assets written off	25	-
Gain on liquidation of subsidiaries	(296)	-
Remeasurement to fair value of an associate to joint venture	-	(22,787)
Share of profit of associates, net of income tax	(1,226)	(1,959)
	<u>112,530</u>	<u>120,334</u>
Change in inventories	1,576	4,840
Change in gross amounts due for contract work	75,747	(134,475)
Change in trade and other receivables	(49,861)	10,154
Change in trade and other payables	25,595	(53,448)
	<u>165,587</u>	<u>(52,595)</u>
<b>Cash from/(used in) operating activities before service concession arrangement projects</b>		
Change in financial receivables	(194,308)	7,142
Change in intangibles assets arising from service concession arrangements	(20,052)	4,291
	<u>(48,773)</u>	<u>(41,162)</u>
<b>Cash used in operating activities after service concession arrangement projects</b>		
Income tax paid	(7,373)	(8,305)
	<u>(56,146)</u>	<u>(49,467)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Acquisition of a joint venture, net of cash acquired [Note 1(c)(i)]	-	(27,212)
Acquisition of intangible assets	(5,094)	(12,858)
Acquisition of non-controlling interests	-	(20,491)
Acquisition of property, plant and equipment	(53,366)	(28,111)
Additional investments in associate	(33,079)	(23,691)
Capital contribution from non-controlling interests of a subsidiary	50	-
Net cash outflow from liquidation of subsidiaries	(178)	-
Change in amounts due from related parties (non-trade)	(427)	1,955
Dividends received from associates	1,470	10,179
Interests received	2,657	2,760
Investment in available-for-sale money market instrument	-	(2,429)
Proceeds from sale of investment property	-	3,237
Proceeds from sale of other investments	2,429	-
Proceeds from sale of property, plant and equipment	26,280	937
	<u>(59,258)</u>	<u>(95,724)</u>
<b>Net cash used in investing activities</b>		

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (cont'd)**

	<u>Group</u>	
	2011	2010
	S\$'000	S\$'000
<b>Cash flows from financing activities</b>		
Dividends paid to equity holders	(47,908)	(34,222)
Decrease/(increase) in deposits pledged	204	(204)
Interests paid	(17,702)	(16,297)
Net proceeds from perpetual preference shares	392,569	-
Proceeds from borrowings	605,085	383,447
Proceeds from exercise of share options and warrants	4,697	102,360
Purchase of treasury shares	(3,169)	-
Repayment of borrowings	(399,125)	(221,832)
Repayment of finance lease liabilities	-	(73)
<b>Net cash from financing activities</b>	<u>534,651</u>	<u>213,179</u>
<b>Net increase in cash and cash equivalents</b>	419,247	67,988
<b>Cash and cash equivalents at beginning of the year</b>	222,082	166,735
Effect of exchange rate changes	86	(12,641)
<b>Cash and cash equivalents at end of the year [Note 1(c)(ii)]</b>	<u>641,415</u>	<u>222,082</u>

**NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS**

**1(c)(i) The values of assets and liabilities from the acquisition of a joint venture were as follows:**

	<u>Group</u>	
	2011	2010
	S\$'000	S\$'000
Current assets	-	26,693
Non-current assets	-	178,052
Current liabilities	-	(68,707)
Non-current liabilities	-	(18,168)
<b>Net identifiable assets and liabilities</b>	-	117,870
Fair value of the Group's existing interest accounted for as investment in associate on acquisition date	-	(74,701)
Goodwill on acquisition	-	8,118
Cash consideration not yet paid	-	(8,493)
Cash consideration paid, satisfied in cash	-	42,794
Cash acquired	-	(15,582)
<b>Net cash outflow</b>	<u>-</u>	<u>27,212</u>

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

	<u>Group</u>	
	2011	2010
	S\$'000	S\$'000
<b>Cash and cash equivalents as per statement of financial position</b>	662,358	222,286
Less: Bank overdraft	(20,943)	-
Less: Deposits pledged	-	(204)
<b>Cash and cash equivalents as per statement of cash flows</b>	<u>641,415</u>	<u>222,082</u>

**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
<b>At 1.1.2011</b>	207,474	(1,292)	4,752	(14,637)	(3,560)	18,609	291,155	502,501	12,006	514,507
<b>Total comprehensive income for the year</b>										
Profit for the year	-	-	-	-	-	-	53,027	53,027	2,698	55,725
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	18,272	-	-	-	18,272	559	18,831
Share of hedging reserve of associates	-	-	-	-	342	-	-	342	-	342
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(778)	-	-	(778)	-	(778)
Total comprehensive income/(loss) for the year	-	-	-	18,272	(436)	-	53,027	70,863	3,257	74,120
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(47,908)	(47,908)	-	(47,908)
Issue of shares for cash under Employees' Share Option Scheme	4,697	-	-	-	-	-	-	4,697	-	4,697
Issue of Class A Cumulative Perpetual Preference Shares	392,569	-	-	-	-	-	-	392,569	-	392,569
Own shares acquired	-	(3,169)	-	-	-	-	-	(3,169)	-	(3,169)
Value of employee services received for issue of share options	-	-	-	-	-	1,038	-	1,038	-	1,038
Transfer to capital reserve	-	-	1,715	-	-	-	(1,715)	-	-	-
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	50	50
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	(337)	(337)
Total transactions with owners	397,266	(3,169)	1,715	-	-	1,038	(49,623)	347,227	(287)	346,940
<b>At 31.12.2011</b>	<b>604,740</b>	<b>(4,461)</b>	<b>6,467</b>	<b>3,635</b>	<b>(3,996)</b>	<b>19,647</b>	<b>294,559</b>	<b>920,591</b>	<b>14,976</b>	<b>935,567</b>

**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
<b>At 1.1.2010</b>	105,114	(1,292)	8,627	4,543	(6,716)	16,780	238,188	365,244	28,158	393,402
<b>Total comprehensive income for the year</b>										
Profit for the year	-	-	-	-	-	-	88,510	88,510	375	88,885
<b>Other comprehensive income</b>										
Foreign currency translation differences for foreign operations	-	-	-	(19,180)	-	-	-	(19,180)	(1,130)	(20,310)
Share of hedging reserve of associates	-	-	-	-	424	-	-	424	-	424
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	431	-	-	431	-	431
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2,301	-	-	2,301	-	2,301
Share of statutory reserve of associates	-	-	(102)	-	-	-	-	(102)	-	(102)
Total comprehensive (loss)/income for the year	-	-	(102)	(19,180)	3,156	-	88,510	72,384	(755)	71,629
<b>Transactions with owners, recorded directly in equity</b>										
<b>Contributions by and distributions to owners</b>										
Dividends	-	-	-	-	-	-	(34,222)	(34,222)	-	(34,222)
Issue of shares for cash under Employees' Share Option Scheme	6,181	-	-	-	-	-	-	6,181	-	6,181
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	-	-	-	-	-	1,829	-	1,829	-	1,829
Transfer to capital reserve	-	-	1,321	-	-	-	(1,321)	-	-	-
Total contributions by and distributions to owners	102,360	-	1,321	-	-	1,829	(35,543)	69,967	-	69,967
<b>Changes in ownership interests in subsidiaries</b>										
Acquisition of non-controlling interests without a change in control	-	-	(5,094)	-	-	-	-	(5,094)	(15,397)	(20,491)
Total changes in ownership interests in subsidiaries	-	-	(5,094)	-	-	-	-	(5,094)	(15,397)	(20,491)
Total transactions with owners	102,360	-	(3,773)	-	-	1,829	(35,543)	64,873	(15,397)	49,476
<b>At 31.12.2010</b>	<b>207,474</b>	<b>(1,292)</b>	<b>4,752</b>	<b>(14,637)</b>	<b>(3,560)</b>	<b>18,609</b>	<b>291,155</b>	<b>502,501</b>	<b>12,006</b>	<b>514,507</b>



## 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
<b>At 1.1.2011</b>	207,474	(1,292)	-	18,609	34,065	258,856
Profit for the year	-	-	-	-	50,227	50,227
Total comprehensive income for the year	-	-	-	-	50,227	50,227
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	-	-	(47,908)	(47,908)
Issue of shares for cash under Employees' Share Option Scheme	4,697	-	-	-	-	4,697
Issue of Class A Cumulative Perpetual Preference Shares	392,569	-	-	-	-	392,569
Own shares acquired	-	(3,169)	-	-	-	(3,169)
Value of employee services received for issue of share options	-	-	-	1,038	-	1,038
Transfer to capital reserve	-	-	796	-	(796)	-
Total transactions with owners	397,266	(3,169)	796	1,038	(48,704)	347,227
<b>At 31.12.2011</b>	<b>604,740</b>	<b>(4,461)</b>	<b>796</b>	<b>19,647</b>	<b>35,588</b>	<b>656,310</b>
<b>At 1.1.2010</b>	105,114	(1,292)	-	16,780	47,880	168,482
Profit for the year	-	-	-	-	20,407	20,407
Total comprehensive income for the year	-	-	-	-	20,407	20,407
<b>Transactions with owners, recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	-	-	(34,222)	(34,222)
Issue of shares for cash under Employees' Share Option Scheme	6,181	-	-	-	-	6,181
Issue of shares for cash under warrant subscription agreements	96,179	-	-	-	-	96,179
Value of employee services received for issue of share options	-	-	-	1,829	-	1,829
Total transactions with owners	102,360	-	-	1,829	(34,222)	69,967
<b>At 31.12.2010</b>	<b>207,474</b>	<b>(1,292)</b>	<b>-</b>	<b>18,609</b>	<b>34,065</b>	<b>258,856</b>

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 financial year ended 31 Dec 2011 were as follows:

Issued share capital

	<b>No. of shares</b>	<b>Amount S\$'000</b>
<b>Ordinary shares</b>		
At 1 Jan 2011	857,931,364	206,182
Issue of shares under the Employees' Share Option Scheme ("Scheme")	3,458,500	4,697
Less: Purchase of treasury shares	<u>(2,711,000)</u>	<u>(3,169)</u>
At 31 Dec 2011	<u>858,678,864</u>	<u>207,710</u>
<b>Preference shares</b>		
At 1 Jan 2011	-	-
Issue of Class A Cumulative Preference Shares	<u>4,000,000</u>	<u>392,569</u>
At 31 Dec 2011	<u>4,000,000</u>	<u>392,569</u>
<b>Issued share capital at 31 Dec 2011</b>		<u><u>600,279</u></u>

As at 31 Dec 2011, the number of ordinary shares in issue was 858,678,864 (31 Dec 2010: 857,931,364), excluding 3,211,000 (31 Dec 2010: 500,000) held by the Company as treasury shares.

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

Outstanding share options under the Scheme

	<b>No. of options</b>
At 1 Jan 2011	35,640,369
Options granted	14,028,000
Exercised/Forfeited	<u>(7,954,688)</u>
At 31 Dec 2011	<u><u>41,713,681</u></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 31 Dec 2011 was 3,211,000 (31 Dec 2010: 500,000).

The total number of issued ordinary shares excluding treasury shares as at 31 Dec 2011 was 858,678,864 (31 Dec 2010: 857,931,364).

The total number of issued Class A Cumulative Perpetual Preference Shares as at 31 Dec 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 year ended 31 Dec 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 adoption of new/revised FRS and Interpretations of FRS that are effective for annual periods beginning on or after 1 January 2011 did not result in 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**

	2011	2010	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	4.30 cts	10.52 cts	(59.1)
- Weighted average number of shares	860,219,281	841,682,245	2.2
On a fully diluted basis of ordinary shares	4.28 cts	10.23 cts	(58.2)
- Adjusted weighted average number of shares	<u>865,450,936</u>	<u>865,351,209</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>	
	31 Dec 11 Cents	31 Dec 10 Cents	31 Dec 11 Cents	31 Dec 10 Cents
Based on 858,678,864 (31 Dec 2010: 857,931,364) ordinary shares in issue	60.6	58.6	29.8	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**

The Group recorded revenue of \$482.0 million and profit attributable to shareholders of the Company of \$53.0 million for the financial year ended 31 Dec 2011 ("FY2011"). The 40% decline in net profit attributable to shareholders of the Company from \$88.5 million for the financial year ended 31 Dec 2010 ("FY2010") was caused mainly by lower revenue, lower divestment activities as well as higher financing, depreciation and amortisation costs during the financial year.

While the gross margin was maintained at 46%, the net margin fell to 12% from 16% in FY2010. The net margin was affected by higher interest costs, the inclusion of amortisation of concession agreements under Galaxy NewSpring, a 50% joint venture with Mitsui & Co., Ltd and impairment of research & development activities.

#### **8(a)(i) Revenue**

The Group's revenue for FY2011 decreased by 15% to \$482.0 million as compared to \$569.7 million for FY2010 due to the projects in the MENA region nearing completion and the impact of Arab Spring on new contracts as well as lower level of divestment activities in FY2011. This was partially offset by contributions from Singapore project as the Group commenced its Tuaspring desalination plant construction in July 2011.

#### **Sector Review**

Revenue from the municipal sector continued to be the main contributor to the Group, decreasing by 18% from \$511.2 million to \$417.8 million, contributed 87% to the Group's revenue for FY2011. There was a 3% point drop from 90% to the Group's revenue for FY2010.

The Group's municipal projects are from MENA, China and Singapore.

Revenue from the industrial sector increased by 7% from \$55.1 million for FY2010 to \$58.8 million for FY2011.

### Geographical review

The Group saw a shift in the geographical mix of its revenue in FY2010 from MENA to Asia. Contributions from the MENA market decreased from \$343.8 million in FY2010 to \$114.4 million in FY2011, representing a decline from 60% in FY2010 to 24% in FY2011 of the Group's total revenue. This was the result of lower EPC activities, with the completion of the 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 a significant increase from \$75.1 million in FY2010 to \$226.9 million in FY2011 with the commencement of Tuaspring desalination plant construction contributing to the progress of the Group's projects in Singapore. Consequently, Singapore and Others contributed 47% of the Group's total revenue in FY2011 from 14% in FY2010.

China accounted for 29% of the total revenue, while MENA contributed approximately 24% of the total revenue. The Group saw a decrease of \$10.1 million in China revenue contribution from \$150.8 million in FY2010 to \$140.7 million in FY2011. China represented 29% of total revenue in FY2011 as compared to 26% in FY2010.

### **8(a)(ii) Costs and expenses**

Raw materials and consumables used and subcontractors' costs decreased by 14% from \$303.0 million for FY2010 to \$259.5 million for FY2011 due to lower revenue generated.

Staff costs decreased by 8% from \$65.4 million for FY2010 to \$60.0 million for FY2011.

Finance costs increased from \$16.8 million for FY2010 to \$22.6 million for FY2011 due to higher bank borrowings as the Group gears up for the development of its Tuaspring desalination plant.

Depreciation, amortisation and impairment increased from \$27.5 million for FY2010 to \$36.6 million for FY2011 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 \$68.1 million for FY2010 to \$50.1 million for FY2011 attributed to significant reduction in foreign exchange loss and gains arising from sales of machinery and equipment.

The effective tax rate for the financial year ended 31 Dec 2011 was about 10.4% 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)(iii) Earnings**

Basic and fully diluted earnings per share (adjusted for dividends on Class A Cumulative Perpetual Preference Shares) for FY2011 decreased by 59.1% and 58.2% respectively to 4.30 cents and 4.28 cents respectively compared to FY2010.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") was \$118.2 million, a decrease by 17% which was in line with the fall in revenue.

## **8(b) Statements of Financial Position Analysis**

### **8(b)(i) The Group**

The Group's shareholders' equity increased to \$920.6 million as at 31 Dec 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 Perpetual Preference Shares in April 2011. Net profit in FY2011 further boosted the Group's equity base.

Current assets increased to \$1,099.5 million as at 31 Dec 2011 from \$693.7 million as at 31 Dec 2010, which was mainly due to net proceeds from issuance of Class A Cumulative Perpetual 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 \$933.0 million as at 31 Dec 2011 from \$666.0 million as at 31 Dec 2010, which was mainly due to increases in financial receivables by \$192.2 million mainly for the construction of Tuaspring desalination plant and investments in associates by \$33.9 million.

Current liabilities increased to \$356.2 million as at 31 Dec 2011 from \$315.9 million as at 31 Dec 2010, which was attributed to increase in loans and borrowings during the financial year.

Non-current liabilities increased to \$740.7 million as at 31 Dec 2011 from \$529.2 million as at 31 Dec 2010, resulting mainly from increase of bank borrowings during the financial year to support the Group's upcoming projects. Included in the loans and borrowings as at 31 Dec 2011 was \$453.3 million of fixed rate unsecured notes ("Notes") issued under the Group's Multicurrency Debt Issuance Programme. These Notes mature between 2014 and 2019.

The Group's net gearing ratio remained low as 0.18 times as at 31 Dec 2011 with the launch of Class A Cumulative Perpetual Preference Shares in Apr 2011.

### **8(b)(ii) The Company**

The Company's shareholders' equity increased to \$656.3 million as at 31 Dec 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 Perpetual Preference Shares in April 2011.

## **8(c) Statement of Cash flows**

The Group's cash position increased to \$662.4 million as at 31 Dec 2011 from \$222.3 million as at 31 Dec 2010.

In FY2011, net cash of \$56.1 million was used in the Group's operating activities, mainly towards service concession arrangement projects. Excluding cash used in these projects, net cash generated in the Group's operating activities was \$165.6 million in FY2011. Cash used in investing activities for the financial year was largely contributed by capital expenditure incurred for the construction of the Group's new headquarters including investments in associates. Cash generated from financing activities for FY2011 was mainly from proceeds from Class A Cumulative Perpetual Preference Shares and borrowings 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**

Hyflux's FY2011 financial results reflect the transition of earnings from MENA to Asia. The Group's large-scale seawater desalination projects in Algeria and Oman are near completion. The rise of the Arab Spring in 2011 has affected prospects in MENA and the short-term outlook for the region remains uncertain although there are pockets of opportunities.

Asia will continue to be the key region of growth for the Group over the next couple of years. In Singapore, Hyflux is ramping up the engineering, procurement and construction activities of its 318,500m<sup>3</sup>/day capacity Tuaspring Desalination Plant. In China, the Group is undertaking expansion and enhancement works at six wastewater treatment plants that will raise capacity by a total of 100,000m<sup>3</sup> per day with estimated project value of S\$88.0 million. The plants are part of the portfolio of Galaxy NewSpring Pte Ltd, the joint venture company with Mitsui & Co., Ltd. The engineering, procurement and construction works for the six plants will be undertaken by a wholly-owned subsidiary of Hyflux.

On the global front, the outlook continues to be challenging for businesses. The problems in Europe and US could affect growth in China and Asia. At home, higher inflation, higher borrowing costs and higher costs for employing foreign labour could in the short term raise operating costs for the Group.

Despite a challenging operating environment, Hyflux is in a good situation, with a strong order book and strong balance sheet.

Water is a scarce resource that is getting scarcer by day. Countries around the world will continue to place emphasis on developing sustainable sources of water, such as wastewater recycling and seawater desalination. Hyflux, with its innovative membrane technologies and well-established track record, is well-equipped to address these needs in the global water industry.

**11. Dividend**

***(a) Current financial period reported on***

Any dividend recommended for the current financial period reported on?

Name of dividend	Final
Dividend type	Cash
Dividend rate	2.10 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	Final
Dividend type	Cash
Dividend rate	3.50 cents per ordinary share
Tax rate	One tier tax exempt

***(c) Date payable***

Subject to shareholders' approval at the Annual General Meeting to be held on 26 April 2012, the dividend will be paid on 17 May 2012.

***(d) Books closure date***

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00pm on 4 May 2012 for the preparation of dividend warrants.

Duly completed registrable transfers of ordinary shares received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00pm on 4 May 2012 will be registered to determine shareholders' entitlement to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with the Company's ordinary shares as at 5.00 pm on 4 May 2012 will be entitled to the proposed dividend

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

Not applicable.



### 13. Operating segments

#### Information about reportable segments

	Municipal		Industrial		All other segments		Total	
	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000	2011 S\$'000	2010 S\$'000
External revenue	417,816	511,180	58,784	55,144	5,375	3,413	481,975	569,737
Inter-segment revenue	(115,225)	25,593	(2,839)	(3,906)	(703)	(938)	(118,767)	20,749
Interest income	203	–	1,322	1,203	8	175	1,533	1,378
Interest expense	(11,734)	(3,783)	(3)	(16)	(3)	115	(11,740)	(3,684)
Depreciation, amortisation and impairment	(7,778)	(3,378)	(16,315)	(14,967)	(387)	(2,593)	(24,480)	(20,938)
Reportable segment profit/(loss) before income tax	93,972	132,687	(12,800)	(11,355)	2,660	(3,178)	83,832	118,154
Share of profit/(loss) of associates, net of income tax	287	1,774	(1,145)	(1,103)	2,084	1,288	1,226	1,959
Tax (expenses)/income	(6,160)	(6,107)	(450)	(2,493)	292	(2,988)	(6,318)	(11,588)
Operating lease expenses	(6,713)	(5,293)	(493)	(649)	(1,678)	(81)	(8,884)	(6,023)
Contribution to defined contribution plan, included in staff cost	(5,099)	(4,251)	(1,316)	(1,318)	(116)	(100)	(6,531)	(5,669)
Reportable segment assets	1,418,559	900,623	214,036	249,208	86,088	14,015	1,718,683	1,163,846
Investments in associates	99,111	66,549	2,550	3,445	7,226	5,038	108,887	75,032
Capital expenditure	12,419	125,171	601	2,673	260	318	13,280	128,162
Reportable segment liabilities	353,344	261,439	25,683	23,778	55,623	63,771	434,650	348,988

**Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items**

	2011 S\$'000	2010 S\$'000
<b>Revenues</b>		
Total revenue for reportable segments	476,600	566,324
Other revenue	5,375	3,413
Consolidated revenue	<u>481,975</u>	<u>569,737</u>
<b>Profit or loss</b>		
Total profit for reportable segments	81,172	121,332
Other income/(loss)	2,660	(3,178)
	<u>83,832</u>	<u>118,154</u>
Unallocated amounts:		
- Other corporate expenses	(23,015)	(19,640)
Share of profit of associates, net of income tax	1,226	1,959
Consolidated profit before income tax	<u>62,043</u>	<u>100,473</u>
<b>Assets</b>		
Total assets for reportable segments	1,632,595	1,149,831
Other assets	86,088	14,015
Investments in associates	108,887	75,032
Other unallocated amounts	204,895	120,824
Consolidated total assets	<u>2,032,465</u>	<u>1,359,702</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	379,027	285,217
Other liabilities	55,623	63,771
Other unallocated amounts	662,248	496,207
Consolidated total liabilities	<u>1,096,898</u>	<u>845,195</u>

**Other material items in 2011**

	Reportable segment totals S\$'000	Adjustments S\$'000	Consolidated totals S\$'000
Interest income	1,525	1,516	3,041
Interest expense	(11,737)	(10,860)	(22,597)
Capital expenditure	13,020	45,440	58,460
Depreciation, amortisation and impairment	(24,093)	(12,544)	(36,637)

## Other material items in 2010

	Reportable segment totals S\$'000	Adjustments S\$'000	Consolidated totals S\$'000
Interest income	1,203	1,922	3,125
Interest expense	(3,799)	(12,961)	(16,760)
Capital expenditure	127,844	21,408	149,252
Depreciation, amortisation and impairment	(18,345)	(9,156)	(27,501)

## Geographical information

### 31 December 2011

	Revenues S\$'000	Non-current assets S\$'000
Middle East and North Africa	114,410	99,504
People's Republic of China	140,716	529,612
Singapore and Others	226,849	303,856
	<u>481,975</u>	<u>932,972</u>

### 31 December 2010

	Revenues S\$'000	Non-current assets S\$'000
Middle East and North Africa	343,810	60,247
People's Republic of China	150,797	488,263
Singapore and Others	75,130	117,498
	<u>569,737</u>	<u>666,008</u>

## 14. Breakdown of sales

	2011 S\$'000	2010 S\$'000	% increase/ (decrease)
Sales reported for the first half year	197,895	241,739	(18)
Profit after tax before non-controlling interests reported for the first half year	<u>22,973</u>	<u>33,830</u>	(32)
Sales reported for the second half year	284,080	327,998	(13)
Profit after tax before non-controlling interests reported for the second half year	<u>32,752</u>	<u>55,055</u>	(41)

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

	<b>Latest Full Year (2011) S\$'000</b>	<b>Previous Full Year (2010) S\$'000</b>
Ordinary	35,875	34,222
Preference	12,033	-
Total	<u>47,908</u>	<u>34,222</u>

**16. If the group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

No IPT mandate has been obtained from shareholders.

**17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement**

There is no person occupying a managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

**BY ORDER OF THE BOARD**

Lim Poh Fong  
Company Secretary  
22 February 2012