



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Second Quarter and Half Year Ended 30 June 2012

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 2012**

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2012	2011	Change	2012	2011	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	190,427	111,081	71	329,337	197,895	66
Other income	1,641	2,819	(42)	3,313	4,035	(18)
Changes in inventories of finished goods and work-in-progress	(523)	130	NM	(1,643)	571	NM
Raw materials and consumables used and subcontractors' cost	(124,157)	(55,905)	NM	(209,311)	(99,250)	NM
Staff costs	(19,246)	(14,207)	35	(37,346)	(25,938)	44
Depreciation and amortisation	(5,613)	(5,008)	12	(10,956)	(9,947)	10
Other expenses	(15,195)	(12,457)	22	(28,563)	(29,227)	(2)
Finance costs	(6,900)	(5,712)	21	(13,661)	(11,254)	21
Share of profit/(loss) of associates, net of income tax	1,162	(1,325)	NM	937	466	NM
Profit before income tax	21,596	19,416	11	32,107	27,351	17
Tax expense	(3,070)	(3,792)	(19)	(4,349)	(4,378)	(1)
Profit for the period	18,526	15,624	19	27,758	22,973	21
Profit attributable to:						
Owners of the Company	17,513	14,526	21	25,196	21,906	15
Non-controlling interests	1,013	1,098	(8)	2,562	1,067	NM
Profit for the period	18,526	15,624	19	27,758	22,973	21

NM: Not meaningful

**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2012**

	Group					
	Quarter ended 30 June			Half year ended 30 June		
	2012	2011	Change	2012	2011	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	18,526	15,624	19	27,758	22,973	21
Other comprehensive income for the period						
Foreign currency translation differences for foreign operations	5,048	(6,543)	NM	(7,549)	(11,250)	(33)
Share of hedging reserve of associates	(55)	135	NM	45	355	(87)
Net change in fair value of cash flow hedges transferred to profit or loss	451	-	NM	683	-	NM
Other comprehensive income/(loss) for the period, net of income tax	5,444	(6,408)	NM	(6,821)	(10,895)	(37)
Total comprehensive income for the period	23,970	9,216	NM	20,937	12,078	73
Total comprehensive income attributable to:						
Owners of the Company	22,983	8,216	NM	18,722	11,300	66
Non-controlling interests	987	1,000	(1)	2,215	778	NM
Total comprehensive income for the period	23,970	9,216	NM	20,937	12,078	73

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: -

	Group					
	Quarter ended 30 June			Half year ended 30 June		
	2012	2011	Change	2012	2011	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Write back of inventory obsolescence	28	-	NM	21	-	NM
Depreciation and amortisation	(5,613)	(5,008)	12	(10,956)	(9,947)	10
Fair value (loss)/gain on derivative financial instruments	(337)	302	NM	(160)	(344)	(53)
Finance costs	(6,900)	(5,712)	21	(13,661)	(11,254)	21
Interest income	829	698	19	1,601	1,385	16
Gain on sale of property, plant and equipment	5,245	4	NM	5,199	6	NM
(Impairment)/write back of trade and other receivables	(121)	282	NM	(50)	354	NM
Net foreign exchange loss	(3,813)	(1,932)	97	(5,072)	(2,980)	70
(Under)/overprovision of prior years' tax	(470)	(958)	(51)	23	(869)	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.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	<u>Group</u>		<u>Company</u>	
	30 Jun 12 S\$'000	31 Dec 11 S\$'000	30 Jun 12 S\$'000	31 Dec 11 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	205,691	188,571	-	-
Intangible assets	43,158	43,876	-	-
Intangible assets arising from service concession arrangements	156,966	154,937	-	-
Investments in subsidiaries	-	-	169,420	169,420
Investments in joint venture	-	-	3,125	3,125
Investments in associates	108,442	108,887	13,903	13,704
Financial receivables	644,905	418,320	-	-
Trade and other receivables	15,375	15,552	634,018	445,312
Deferred tax assets	4,006	2,829	-	-
	<u>1,178,543</u>	<u>932,972</u>	<u>820,466</u>	<u>631,561</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	124,580	176,910	-	-
Inventories	28,233	24,195	-	-
Financial receivables	6,549	4,937	-	-
Trade and other receivables, including derivatives	238,153	231,093	825,825	729,141
Cash and cash equivalents	635,284	662,358	40,623	96,407
	<u>1,032,799</u>	<u>1,099,493</u>	<u>866,448</u>	<u>825,548</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	267,349	227,840	205,697	135,567
Loans and borrowings	209,431	118,121	164,984	88,438
Tax payable	8,337	10,262	2,917	2,983
	<u>485,117</u>	<u>356,223</u>	<u>373,598</u>	<u>226,988</u>
Net current assets	547,682	743,270	492,850	598,560
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	809,936	712,301	662,204	573,811
Deferred tax liabilities	27,273	28,374	-	-
	<u>837,209</u>	<u>740,675</u>	<u>662,204</u>	<u>573,811</u>
Net assets	889,016	935,567	651,112	656,310
<u>EQUITY</u>				
Share capital	605,027	604,740	605,027	604,740
Reserve for own shares	(44,003)	(4,461)	(44,003)	(4,461)
Capital reserve	6,998	6,467	1,327	796
Foreign currency translation reserve	(3,567)	3,635	-	-
Hedging reserve	(3,268)	(3,996)	-	-
Employees' share option reserve	21,252	19,647	21,252	19,647
Retained earnings	289,386	294,559	67,509	35,588
Total equity attributable to owners of the Company	871,825	920,591	651,112	656,310
Non-controlling interests	17,191	14,976	-	-
Total equity	889,016	935,567	651,112	656,310
<i>Group net borrowings (S\$)</i>	384,083	168,064	n.a.	n.a.
<i>Group net gearing (times)</i>	0.44x	0.18x	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 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
9,739	199,692	6,482	111,639

(ii) Amount repayable after one year

30 Jun 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
87,972	721,964	78,096	634,205

Details of any collateral

As at 30 June 2012 and 31 December 2011, secured bank loans of the Group were secured by land and building of a subsidiary and a joint venture's share mortgages of its shares of various 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 2012**

	<u>Group</u>			
	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	21,596	19,416	32,107	27,351
Adjustments for:				
Write back of inventory obsolescence	(28)	-	(21)	-
Depreciation and amortisation	5,613	5,008	10,956	9,947
Employees' share option expense	631	144	1,605	496
Fair value loss/(gain) on derivative financial instruments	337	(302)	160	344
Finance costs	6,900	5,712	13,661	11,254
Interest income	(829)	(698)	(1,601)	(1,385)
Gain on sale of property, plant and equipment	(5,245)	(4)	(5,199)	(6)
Impairment/(write back) of trade and other receivables	121	(282)	50	(354)
Share of (profit)/loss of associates, net of income tax	(1,162)	1,325	(937)	(466)
	<u>27,934</u>	<u>30,319</u>	<u>50,781</u>	<u>47,181</u>
Change in inventories	(1,946)	(1,069)	(4,017)	(1,730)
Change in gross amounts due for contract work	13,519	88,764	52,766	76,870
Change in trade and other receivables	(9,935)	(24,826)	515	(38,355)
Change in trade and other payables	<u>33,162</u>	<u>(10,825)</u>	<u>37,528</u>	<u>(47,841)</u>
Cash from operating activities before service concession arrangement projects	<u>62,734</u>	<u>82,363</u>	<u>137,573</u>	<u>36,125</u>
Change in financial receivables from service concession arrangements	(144,231)	(22,019)	(228,133)	(29,553)
Change in intangible assets arising from service concession arrangements	(2,375)	-	(7,271)	-
Cash (used in)/from operating activities after service concession arrangement projects	<u>(83,872)</u>	<u>60,344</u>	<u>(97,831)</u>	<u>6,572</u>
Income tax paid	<u>(6,057)</u>	<u>(4,042)</u>	<u>(7,063)</u>	<u>(4,593)</u>
Net cash (used in)/from operating activities	<u>(89,929)</u>	<u>56,302</u>	<u>(104,894)</u>	<u>1,979</u>
Cash flows from investing activities				
Acquisition of intangible assets	(904)	(891)	(2,094)	(2,382)
Acquisition of property, plant and equipment	(18,705)	(9,831)	(26,345)	(16,468)
Additional investment in an associate	-	(33,079)	-	(33,079)
Change in amounts due from related parties (non-trade)	(579)	(3,971)	(257)	(215)
Dividends received from associates	450	360	780	660
Interests received	728	603	1,401	1,197
Proceeds from sale of other investments	-	-	-	2,429
Proceeds from sale of property, plant and equipment	189	18	311	18
Net cash used in investing activities	<u>(18,821)</u>	<u>(46,791)</u>	<u>(26,204)</u>	<u>(47,840)</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2012 (cont'd)**

	<u>Group</u>			
	<u>Quarter ended 30 June</u>		<u>Half year ended 30 June</u>	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Decrease in deposits pledged	-	201	-	204
Dividends paid	(29,838)	(30,108)	(29,838)	(30,108)
Interests paid	(531)	(2,265)	(13,542)	(10,022)
Net proceeds from perpetual preference shares	-	392,569	-	392,569
Proceeds from borrowings	187,274	2,879	193,735	109,573
Proceeds from exercise of share options	138	499	287	3,906
Purchases of treasury shares	(23,258)	-	(39,542)	-
Repayment of borrowings	(1,245)	(99,210)	(16,262)	(199,852)
Net cash from financing activities	132,540	264,565	94,838	266,270
Net increase/(decrease) in cash and cash equivalents	23,790	274,076	(36,260)	220,409
Cash and cash equivalents at beginning of the period	575,935	165,195	641,415	222,082
Effect of exchange rate changes	1,965	(2,784)	(3,465)	(6,004)
Cash and cash equivalents at end of the period [Note 1(c)(i)]	601,690	436,487	601,690	436,487

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 June</u>	
	2012	2011
	S\$'000	S\$'000
Cash and cash equivalents per statement of financial position	635,284	446,452
Less: Bank overdraft	(33,594)	(9,965)
Cash and cash equivalents per statement of cash flows	601,690	436,487

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 owners 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 1.1.2012	604,740	(4,461)	6,467	3,635	(3,996)	19,647	294,559	920,591	14,976	935,567
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	25,196	25,196	2,562	27,758
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(7,202)	-	-	-	(7,202)	(347)	(7,549)
Share of hedging reserve of associates	-	-	-	-	45	-	-	45	-	45
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	683	-	-	683	-	683
Total comprehensive (loss)/income for the period	-	-	-	(7,202)	728	-	25,196	18,722	2,215	20,937
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends declared	-	-	-	-	-	-	(29,838)	(29,838)	-	(29,838)
Issue of shares for cash under Employees' Share Option Schemes	287	-	-	-	-	-	-	287	-	287
Own shares acquired	-	(39,542)	-	-	-	-	-	(39,542)	-	(39,542)
Value of employee services received for issue of share options	-	-	-	-	-	1,605	-	1,605	-	1,605
Transfer to capital reserve	-	-	531	-	-	-	(531)	-	-	-
Total transactions with owners	287	(39,542)	531	-	-	1,605	(30,369)	(67,488)	-	(67,488)
At 30.06.2012	605,027	(44,003)	6,998	(3,567)	(3,268)	21,252	289,386	871,825	17,191	889,016

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 owners 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, recognised directly in equity										
Contributions by and distributions to owners										
Dividends declared	-	-	-	-	-	-	(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 Perpetual Preference Shares	392,569	-	-	-	-	-	-	392,569	-	392,569
Value of employee services received for issue of share options	-	-	-	-	-	496	-	496	-	496
Transfer 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

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 owners of the Company
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1.1.2012	604,740	(4,461)	796	19,647	35,588	656,310
Profit for the period representing total comprehensive income for the period	-	-	-	-	62,290	62,290
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends declared	-	-	-	-	(29,838)	(29,838)
Issue of shares for cash under Employees' Share Option Schemes	287	-	-	-	-	287
Own shares acquired	-	(39,542)	-	-	-	(39,542)
Value of employee services received for issue of share options	-	-	-	1,605	-	1,605
Transfer to capital reserve	-	-	531	-	(531)	-
Total transactions with owners	287	(39,542)	531	1,605	(30,369)	(67,488)
At 30.06.2012	605,027	(44,003)	1,327	21,252	67,509	651,112
At 1.1.2011	207,474	(1,292)	-	18,609	34,065	258,856
Profit for the period representing total comprehensive income for the period	-	-	-	-	17,492	17,492
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends declared	-	-	-	-	(30,108)	(30,108)
Issue of shares for cash under Employees' Share Option Scheme	3,906	-	-	-	-	3,906
Issue of Class A Cumulative Perpetual Preference Shares	392,569	-	-	-	-	392,569
Value of employee services received for issue of share options	-	-	-	496	-	496
Transfer 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

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 second quarter ended 30 June 2012 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 March 2012	847,746,864	191,575
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	122,500	138
Less: Purchase of treasury shares	(17,636,000)	(23,258)
At 30 June 2012	830,233,364	168,455

Preference shares

At 1 January 2012, 1 April 2012 and 30 June 2012	4,000,000	392,569
--	-----------	---------

Issued share capital at 30 June 2012

561,024

As at 30 June 2012, the number of ordinary shares in issue were 830,233,364 (30 June 2011: 860,447,364), excluding 31,946,000 (30 June 2011: 500,000) held by the Company as treasury shares.

The total number of issued 6% Cumulative Non-convertible Non-voting Perpetual Class A Preference Shares (CPS) as at 30 June 2012 were 4,000,000 (30 June 2011: 4,000,000).

Outstanding share options under the Schemes

	No. of options
At 1 January 2012	41,713,681
Options granted	7,255,000
Exercised/Forfeited	(2,223,688)
At 30 June 2012	46,744,993

As at 30 June 2012, the number of outstanding share options under the Schemes were 46,744,993 (30 June 2011: 36,451,369).

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 June 2012 were 31,946,000 (31 December 2011: 3,211,000).

The total number of issued ordinary shares excluding treasury shares as at 30 June 2012 were 830,233,364 (31 December 2011: 858,678,864).

There was no change in the Company's issued CPS during the first half year ended 30 June 2012. The total number of issued CPS as at 30 June 2012 were 4,000,000 (31 December 2011: 4,000,000).

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 2012.

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 2012. 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 June			Half year ended 30 June		
	2012	2011	Change %	2012	2011	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	1.36 cts	1.22 cts	11.5	1.56 cts	2.08 cts	(25.0)
- Weighted average number of shares	845,342,031	860,015,364	(1.7)	846,544,447	860,065,864	(1.6)
On a fully diluted basis of ordinary shares	1.33 cts	1.21 cts	9.9	1.54 cts	2.06 cts	(25.2)
- Adjusted weighted average number of shares	<u>862,680,819</u>	<u>869,317,184</u>	(0.8)	<u>858,549,001</u>	<u>868,241,589</u>	(1.1)

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 12 Cents	31 Dec 11 Cents	30 Jun 12 Cents	31 Dec 11 Cents
Based on 830,233,364 (31 December 2011: 858,678,864) ordinary shares in issue	56.8	60.6	30.2	29.8

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

8(a) Income Statement Analysis

The Group achieved revenue of \$190.4 million and profit attributable to owners of the Company (PATMI) of \$17.5 million for the second quarter ended 30 June 2012 (2Q2012). PATMI saw an increase of 21% from \$14.5 million for the second quarter ended 30 June 2011 (2Q2011). For the first half year ended 30 June 2012 (1H2012), the Group recorded total revenue of \$329.3 million and PATMI of \$25.2 million which translated into an increase of 15% in PATMI from \$21.9 million achieved in the first half year ended 30 June 2011 (1H2011). These were primarily contributed by higher activities particularly from projects in Asia outside of China.

The gross margin was 35% for 2Q2012 (36% for 1H2012) as compared to 50% for 2Q2011 (50% for 1H2011) as a result of the geographical shift in the order book profile from Middle East and North Africa (MENA) to Asia as the Group's projects in MENA were close to completion, as well as additional overhead and manpower costs from the extended period required to complete the Magtaa desalination plant due to the 28 July 2011 fire that destroyed the warehouse housing equipment for the project. Lower net margin of 10% for 2Q2012 (8% for 1H2012) from that of 14% for 2Q2011 (12% for 1H2011) was due to higher staff and financing costs.

8(a)(i) Revenue

The Group's revenue for 2Q2012 increased by 71% to \$190.4 million as compared to \$111.1 million for 2Q2011. Similarly, revenue for 1H2012 increased by 66% to \$329.3 million from that of \$197.9 million for 1H2011. This was mainly attributed by the Group's activities from projects in Asia outside of China.

Sector Review

Revenue from the municipal sector continued to be the main contributor to the Group's growth as evidenced by an increase of 82% from \$97.0 million for 2Q2011 to \$176.6 million for 2Q2012 and from \$167.3 million for 1H2011 to \$303.8 million for 1H2012, respectively. For 2Q2012, municipal sector formed 93% (2Q2011: 87%) of the total Group revenue. This is in line with the sector profile of 92% for 1H2012 and 84% for 1H2011.

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

On the industrial sector, the Group saw a marginal decrease of 8% from \$13.0 million for 2Q2011 to \$11.9 million for 2Q2012. For the first half of the period, it decreased from \$27.3 million for 1H2011 to \$22.3 million for 1H2012.

Geographical review

Asia ex-China market continues to be the major contributor since the commencement of the construction of our Asia ex-China desalination plant contributing \$146.1 million for 2Q2012 as compared to \$22.0 million for 2Q2011. Consequently, Asia ex-China represented 77% of the Group's total revenue in 2Q2012, a significant increase from 20% in 2Q2011. For 1H2012, Asia ex-China contributed 72% to the Group's total revenue from 20% for 1H2011. This market segment saw a substantial growth to \$236.7 million for 1H2012 as compared to \$40.6 million for 1H2011.

On the other hand, contributions from the MENA market decreased from \$52.9 million in 2Q2011 to \$7.3 million in 2Q2012, representing a decline from 47% in 2Q2011 to 4% in 2Q2012 of the Group's total revenue. For 1H2012, revenue from MENA dropped to \$19.3 million from \$86.6 million in the corresponding period. Consequently, MENA contributed 6% for 1H2012 as compared to 44% for 1H2011 of the Group's total revenue. The shift was the result of lower activities in MENA, with the completion of the SWRO desalination plant in Tlemcen, Algeria and with the other SWRO projects in Algeria and Oman nearing completion.

While MENA contributed approximately 4% of the total revenue, China represented 19% of total revenue for 2Q2012 as compared to 33% for 2Q2011. For 1H2012, 22% revenue of \$73.3 million were from China as compared to 36% of \$70.6 million for 1H2011.

8(a)(ii) Costs and expenses

Higher raw materials, consumables used and subcontractors' costs were used for 2Q2012 and 1H2012 in aggregate as compared to corresponding periods as a result as higher activities in Asia ex-China. These direct costs increased from \$55.9 million for 2Q2011 to \$124.2 million for 2Q2012 and from \$99.3 million for 1H2011 to \$209.3 million for 1H2012.

Similarly, higher staff costs were incurred in meeting increased activities in Asia ex-China as well as our Magtaa desalination plant. Total staff costs increased by 35% from \$14.2 million for 2Q2011 to \$19.2 million for 2Q2012; and 44% from \$25.9 million for 1H2011 to \$37.3 million for 1H2012.

Finance costs increased by 21% for both 2Q2012 and 1H2012, from \$5.7 million for 2Q2011 to \$6.9 million for 2Q2012 and \$11.3 million for 1H2011 to \$13.7 million for 1H2012, respectively, due to higher bank borrowings.

Depreciation and amortisation increased marginally for both periods from \$5.0 million for 2Q2011 to \$5.6 million for 2Q2012 and \$9.9 million for 1H2011 to \$11.0 million for 1H2012.

Other expenses for both periods were offset by gain on disposal of certain machineries of the Group. Excluding such effect, other expenses increased from \$12.5 million for 2Q2011 to \$20.4 million for 2Q2012, and from \$29.2 million to \$33.8 million for 1H2012. The increases were attributed to losses arising from foreign exchange differences, additional professional fees incurred as well as operating lease expense during the periods.

The effective tax rate for 2Q2012 approximated 15.0% (14.0% for 1H2012), and remained at a level lower than the Singapore prevailing corporate tax rate mainly due to the tax exemptions and incentives enjoyed by certain entities of the Group.

8(a)(iii) Earnings

Basic and fully diluted earnings per share (adjusted for dividends on CPS) for 2Q2012 increased by 11.5% and 9.9% respectively to 1.36 and 1.33 cents as compared to 2Q2011. For 1H2012, it decreased by 25.0% and 25.2% respectively to 1.56 and 1.54 cents as compared to 1H2011.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity decreased to \$871.8 million as at 30 June 2012 from \$920.6 million as at 31 December 2011. The decrease was mainly attributable to the purchase of treasury shares of \$39.5 million, dividend payment of \$29.8 million and movements of \$7.2 million on translation of foreign operations resulting from strengthening of Singapore Dollars against US Dollars and Chinese Renminbi during the financial period. The decrease was offset by net profit for the period.

Current assets decreased to \$1,032.8 million as at 30 June 2012 from \$1,099.5 million as at 31 December 2011, which was mainly due to decreases in cash and cash equivalents as well as gross amounts due for contract work.

Non-current assets increased to \$1,178.5 million as at 30 June 2012 from \$933.0 million as at 31 December 2011, which was mainly due to increases in financial receivables by \$226.6 million arising from the Group's activities in Asia outside of China.

Current liabilities increased to \$485.1 million as at 30 June 2012 from \$356.2 million as at 31 December 2011, which was attributed to increase in trade payables and loan and borrowings.

Non-current liabilities increased to \$837.2 million as at 30 June 2012 from \$740.7 million as at 31 December 2011 due to increase in loans and borrowings. Included in the loans and borrowings as at 30 June 2012 was \$453.4 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 at 0.44 times as at 30 June 2012.

8(b)(ii) The Company

The Company's shareholders' equity amounted to \$651.1 million as at 30 June 2012 as compared to \$656.3 million as at 31 December 2011. Major movements related to the purchase of treasury shares of \$39.5 million, dividends payments of \$29.8 million as well as dividends from subsidiaries.

8(c) Statement of Cash flows

The Group's cash position decreased to \$635.3 million as at 30 June 2012 from \$662.4 million as at 31 December 2011.

For 2Q2012 and 1H2012, net cash of \$89.9 million and \$104.9 million respectively were 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 \$62.7 million and \$137.6 million respectively in 2Q2012 and 1H2012. Cash used in investing activities for the financial period was largely contributed by capital expenditure incurred for the construction of the Group's new headquarters and

manufacturing facility at Tuas Hub. Cash generated from financing activities for 1H2012 was mainly from 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

The global outlook remains challenging. However, we still see opportunities in the MENA region and we are well positioned to capture these.

In India, we are finalising the water purchase agreement for the Dahej desalination project in India. In March 2012, a consortium comprising Hitachi Ltd, Itochu Corporation and Hyflux signed a co-developer's agreement to develop the desalination project at the Dahej Special Economic Zone in Gujarat state. Hyflux is expected to undertake an estimated US\$420 million worth of project value.

In Singapore, construction for Tuaspring Desalination Plant is on track.

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	0.70 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

(c) Date payable

31 August 2012

(d) Books closure date

14 August 2012

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

Not applicable.

13. 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.

14. 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 first half year ended 30 June 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
2 August 2012