



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Financial Year Ended 31 December 2012

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

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Group</u>		Change %
	2012 S\$'000	2011 S\$'000	
Revenue	682,384	481,975	42
Other income	6,964	8,064	(14)
Changes in inventories of finished goods and work-in-progress	792	(408)	NM
Raw materials and consumables used and subcontractors' costs	(413,496)	(259,473)	59
Staff costs	(85,924)	(60,040)	43
Depreciation, amortisation and impairment	(29,392)	(36,637)	(20)
Other expenses	(60,123)	(50,067)	20
Finance costs	(28,460)	(22,597)	26
Share of profit of associates, net of income tax	4,253	1,226	NM
Profit before income tax	76,998	62,043	24
Tax expense	(12,285)	(6,318)	94
Profit for the year	64,713	55,725	16
Profit attributable to:			
Owners of the Company	60,994	53,027	15
Non-controlling interests	3,719	2,698	38
Profit for the year	64,713	55,725	16

NM: Not Meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	<u>Group</u>		Change %
	2012 S\$'000	2011 S\$'000	
Profit for the year	64,713	55,725	16
Other comprehensive income for the year			
Foreign currency translation differences for foreign operations	(35,609)	18,831	NM
Share of hedging reserve of associates	499	342	46
Effective portion of changes in fair value of cash flow hedges	3,001	(778)	NM
Net change in fair value of cash flow hedges transferred to profit or loss	1,152	-	NM
Other comprehensive (loss)/income for the year, net of income tax	(30,957)	18,395	NM
Total comprehensive income for the year	33,756	74,120	(54)
Total comprehensive income attributable to:			
Owners of the Company	31,072	70,863	(56)
Non-controlling interests	2,684	3,257	(18)
Total comprehensive income for the year	33,756	74,120	(54)

NM: Not Meaningful

NOTES TO CONSOLIDATED INCOME STATEMENT

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

	<u>Group</u>		Change %
	2012 S\$'000	2011 S\$'000	
Allowance for inventory obsolescence	(644)	(113)	NM
Depreciation, amortisation and impairment	(29,392)	(36,637)	(20)
Fair value loss on derivative financial instruments	(895)	(594)	51
Finance costs	(28,460)	(22,597)	26
Financial receivables written off	-	(3,056)	NM
Gain on sale of property, plant and equipment	5,223	11,899	(56)
Impairment of trade and other receivables	(520)	(2,889)	(82)
Intangible assets written off	(35)	(25)	40
Interest income	3,312	3,041	9
(Loss)/Gain on liquidation of subsidiaries	(603)	296	NM
Net foreign exchange loss	(3,151)	(2,123)	48
Overprovision of prior years' tax	1,567	3,331	(53)

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 31 DECEMBER 2012

	<u>Group</u>		<u>Company</u>	
	2012	2011	2012	2011
	S\$'000	S\$'000	S\$'000	S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	207,071	188,571	-	-
Intangible assets	42,444	43,876	-	-
Intangible assets arising from service concession arrangements	360,366	154,937	-	-
Investments in subsidiaries	-	-	177,420	169,420
Investments in joint venture	-	-	3,125	3,125
Investments in associates	104,092	108,887	14,109	13,704
Financial receivables	704,811	418,320	-	-
Trade and other receivables	14,594	15,552	760,736	445,312
Deferred tax assets	2,050	2,829	-	-
	<u>1,435,428</u>	<u>932,972</u>	<u>955,390</u>	<u>631,561</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	119,059	176,910	-	-
Inventories	32,456	24,195	-	-
Financial receivables	12,548	4,937	-	-
Trade and other receivables, including derivatives	209,621	231,093	490,628	729,141
Cash and cash equivalents	541,232	662,358	176,216	96,407
	<u>914,916</u>	<u>1,099,493</u>	<u>666,844</u>	<u>825,548</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables, including derivatives	318,205	227,840	34,813	135,567
Loans and borrowings	64,435	118,121	10,000	88,438
Tax payable	9,152	10,262	2,868	2,983
	<u>391,792</u>	<u>356,223</u>	<u>47,681</u>	<u>226,988</u>
Net current assets	523,124	743,270	619,163	598,560
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	1,054,306	712,301	908,519	573,811
Deferred tax liabilities	27,217	28,374	-	-
	<u>1,081,523</u>	<u>740,675</u>	<u>908,519</u>	<u>573,811</u>
Net assets	877,029	935,567	666,034	656,310
<u>EQUITY</u>				
Share capital	605,196	604,740	605,196	604,740
Reserve for own shares	(51,484)	(4,461)	(51,484)	(4,461)
Capital reserve	9,094	6,467	1,858	796
Foreign currency translation reserve	(30,480)	3,635	-	-
Hedging reserve	656	(3,996)	-	-
Employees' share option reserve	22,457	19,647	22,457	19,647
Retained earnings	305,154	294,559	88,007	35,588
Total equity attributable to owners of the Company	860,593	920,591	666,034	656,310
Non-controlling interests	16,436	14,976	-	-
Total equity	877,029	935,567	666,034	656,310
<i>Group net borrowings (S\$)</i>	577,509	168,064	n.a.	n.a.
<i>Group net gearing (times)</i>	0.67x	0.18x	n.a.	n.a.



NOTES TO STATEMENT 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 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
9,284	55,151	6,482	111,639

(ii) Amount repayable after one year

31 Dec 12		31 Dec 11	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
89,178	965,128	78,096	634,205

Details of any collateral

As at 31 December 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 FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	<u>Group</u>	
	2012	2011
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	76,998	62,043
Adjustments for:		
Allowance for inventory obsolescence	644	113
Amortisation of transaction costs related to borrowings	636	-
Depreciation, amortisation and impairment	29,392	36,637
Employees' share option expense	2,810	1,038
Fair value loss on derivative financial instruments	895	594
Finance costs	28,460	22,597
Financial receivables written off	-	3,056
Gain on sale of property, plant and equipment	(5,223)	(11,899)
Impairment of trade and other receivables	520	2,889
Interest income	(3,312)	(3,041)
Intangible assets written off	35	25
Loss/(Gain) on liquidation of subsidiaries	603	(296)
Share of profit of associates, net of income tax	(4,253)	(1,226)
	<u>128,205</u>	<u>112,530</u>
Change in inventories	(9,764)	1,576
Change in gross amounts due for contract work	58,187	75,747
Change in trade and other receivables	22,494	(49,861)
Change in trade and other payables	71,776	25,595
Cash from operating activities before service concession arrangement projects	<u>270,898</u>	<u>165,587</u>
Change in financial receivables from service concession arrangements	(294,102)	(194,308)
Change in intangibles assets arising from service concession arrangements	(209,274)	(20,052)
Cash used in operating activities after service concession arrangement projects	<u>(232,478)</u>	<u>(48,773)</u>
Income tax paid	(11,398)	(7,373)
Net cash used in operating activities	<u>(243,876)</u>	<u>(56,146)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(5,901)	(5,094)
Acquisition of property, plant and equipment	(39,878)	(53,366)
Additional investment in an associate	-	(33,079)
Capital contributions 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)
Dividends received from associates	1,770	1,470
Interests received	1,757	2,657
Proceeds from sale of other investments	-	2,429
Proceeds from sale of property, plant and equipment	7,835	26,280
Net cash used in investing activities	<u>(34,417)</u>	<u>(59,258)</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (cont'd)**

	<u>Group</u>	
	2012 S\$'000	2011 S\$'000
Cash flows from financing activities		
Dividends paid	(47,646)	(47,908)
(Increase)/decrease in deposits pledged	(9,589)	204
Interests paid	(36,191)	(17,702)
Net proceeds from perpetual preference shares	-	392,569
Proceeds from borrowings	653,842	605,085
Proceeds from exercise of share options	456	4,697
Purchases of treasury shares	(47,023)	(3,169)
Repayment of borrowings	(371,619)	(399,125)
Net cash from financing activities	<u>142,230</u>	<u>534,651</u>
Net (decrease)/increase in cash and cash equivalents	(136,063)	419,247
Cash and cash equivalents at beginning of the year	641,415	222,082
Effect of exchange rate changes	(15,165)	86
Cash and cash equivalents at end of the year [Note 1(c)(i)]	<u>490,187</u>	<u>641,415</u>

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>	
	2012 S\$'000	2011 S\$'000
Cash and cash equivalents as per statement of financial position	541,232	662,358
Less: Bank overdraft	(41,456)	(20,943)
Less: Deposits pledged	(9,589)	-
Cash and cash equivalents as per statement of cash flows	<u>490,187</u>	<u>641,415</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 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 year										
Profit for the year	-	-	-	-	-	-	60,994	60,994	3,719	64,713
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(34,574)	-	-	-	(34,574)	(1,035)	(35,609)
Share of hedging reserve of associates	-	-	-	-	499	-	-	499	-	499
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	3,001	-	-	3,001	-	3,001
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	1,152	-	-	1,152	-	1,152
Total comprehensive (loss)/income for the year	-	-	-	(34,574)	4,652	-	60,994	31,072	2,684	33,756
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid/payable	-	-	-	-	-	-	(47,646)	(47,646)	(1,224)	(48,870)
Issue of shares for cash under Employees' Share Option Schemes	456	-	-	-	-	-	-	456	-	456
Own shares acquired	-	(47,023)	-	-	-	-	-	(47,023)	-	(47,023)
Value of employee services received for issue of share options	-	-	-	-	-	2,810	-	2,810	-	2,810
Liquidation of subsidiary	-	-	(126)	459	-	-	-	333	-	333
Transfer to capital reserve	-	-	2,753	-	-	-	(2,753)	-	-	-
Total transactions with owners	456	(47,023)	2,627	459	-	2,810	(50,399)	(91,070)	(1,224)	(92,294)
At 31.12.2012	605,196	(51,484)	9,094	(30,480)	656	22,457	305,154	860,593	16,436	877,029



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 year										
Profit for the year	-	-	-	-	-	-	53,027	53,027	2,698	55,725
Other comprehensive income										
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
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid	-	-	-	-	-	-	(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 contributions 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
At 31.12.2011	604,740	(4,461)	6,467	3,635	(3,996)	19,647	294,559	920,591	14,976	935,567



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 year representing total comprehensive income for the year	-	-	-	-	101,127	101,127
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(47,646)	(47,646)
Issue of shares for cash under Employees' Share Option Schemes	456	-	-	-	-	456
Own shares acquired	-	(47,023)	-	-	-	(47,023)
Value of employee services received for issue of share options	-	-	-	2,810	-	2,810
Transfer to capital reserve	-	-	1,062	-	(1,062)	-
Total transactions with owners	456	(47,023)	1,062	2,810	(48,708)	(91,403)
At 31.12.2012	605,196	(51,484)	1,858	22,457	88,007	666,034
At 1.1.2011	207,474	(1,292)	-	18,609	34,065	258,856
Profit for the year representing total comprehensive income for the year	-	-	-	-	50,227	50,227
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(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
At 31.12.2011	604,740	(4,461)	796	19,647	35,588	656,310



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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 December 2012 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 October 2012	825,072,364	161,019
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	<u>150,375</u>	<u>124</u>
At 31 December 2012	<u>825,222,739</u>	<u>161,143</u>
Preference shares		
At 1 October 2012 and 31 December 2012	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 31 December 2012		<u><u>553,712</u></u>

As at 31 December 2012, the number of ordinary shares in issue were 825,222,739 (31 December 2011: 858,678,864), excluding 37,146,000 (31 December 2011: 3,211,000) 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 31 December 2012 were 4,000,000 (31 December 2011: 4,000,000).

Outstanding share options under the Scheme

	No. of options
At 1 January 2012	41,713,681
Options granted	7,255,000
Exercised/Forfeited	<u>(3,551,204)</u>
At 31 December 2012	<u>45,417,477</u>

As at 31 December 2012, the number of outstanding share options under the Schemes were 45,417,477 (31 December 2011: 41,713,681).



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 December 2012 were 37,146,000 (31 December 2011: 3,211,000).

The total number of issued ordinary shares excluding treasury shares as at 31 December 2012 were 825,222,739 (31 December 2011: 858,678,864).

There was no change in the Company's issued CPS during the financial year ended 31 December 2012. The total number of issued CPS as at 31 December 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 year ended 31 December 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 adoption of new/revised FRS and Interpretations of FRS that are effective for the financial year beginning on 1 January 2012 did not result in any impact on the financial statements.



6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	2012	2011	Change %
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:-			
Based on the weighted average number of ordinary shares in issue	4.43 cts	4.30 cts	3.0
- Weighted average number of shares	835,838,999	860,219,281	(2.8)
On a fully diluted basis of ordinary shares	4.42 cts	4.28 cts	3.3
- Adjusted weighted average number of shares	<u>837,238,065</u>	<u>865,450,936</u>	(3.3)

7. Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares 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 12 Cents	31 Dec 11 Cents	31 Dec 12 Cents	31 Dec 11 Cents
Based on 825,222,739 (31 December 2011: 858,678,864) ordinary shares in issue	<u>55.8</u>	<u>60.6</u>	<u>32.2</u>	<u>29.8</u>

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

8(a)(i) Revenue and earnings

The Group achieved total revenue of \$682.4 million and profit attributable to owners of the Company (PATMI) of \$61.0 million for the financial year ended 31 December 2012 (FY2012). Both revenue and PATMI saw an increase of 42% and 15% from \$482.0 million and \$53.0 million respectively for the financial year ended 31 December 2011 (FY2011).

Basic and fully diluted earnings per share (adjusted for dividends on CPS) for FY2012 increased by 3.0% and 3.3% respectively to 4.43 and 4.42 cents as compared to FY2011.



Sector Review

Revenue from the municipal sector continued to be the main contributor to the Group's growth as evidenced by an increase from \$417.8 million in FY2011 to \$629.1 million contributing to 92% to the Group's revenue in FY2012. There was a 5% point increase from 87% to the Group's revenue for FY2011.

The Group's municipal projects are from Asia and MENA.

The Group's industrial sector contributed 7% representing \$49.8 million in FY2012 as compared to \$58.8 million or 12% in FY2011.

Geographical Review

Our Asia ex-China market continues to be the major contributor. The Asia ex-China market contributed \$494.6 million revenue in FY2012 from that of \$226.9 million in FY2011. This represented 73% of the Group's total revenue in FY2012, a significant increase from 47% in FY2011.

On the other hand, the Group saw marginal contributions from the MENA market from \$114.4 million in FY2011 to \$28.9 million in FY2012, which translated into 24% in FY2011 to 4% in FY2012 of the Group's total revenue.

The Group's China market contributed \$158.9 million or 23% to the total revenue for FY2012 as compared to \$140.7 million or 29% in FY2011.

8(a)(ii) Costs and expenses

With the Group's revenue growth, an increased raw materials and consumables used and subcontractors' costs were incurred for FY2012. These direct costs increased from \$259.5 million in FY2011 to \$413.5 million in FY2012.

Similarly, more staff costs were incurred in meeting the Group's revenue growth. Total staff costs increased by 43% from \$60.0 million in FY2011 to \$85.9 million in FY2012.

Finance costs increased by 26%, from \$22.6 million in FY2011 to \$28.5 million in FY2012 due to higher bank borrowings.

Depreciation, amortisation and impairment decreased from \$36.6 million in FY2011 to \$29.4 million in FY2012.

Other expenses increased from \$50.1 million for FY2011 to \$60.1 million for FY2012. These were attributed to operating lease expense incurred during the year as well as gain on sales of machinery and equipment in FY2011.

The effective tax rate for the financial year ended 31 December 2012 was about 16.9% mainly due to higher contributions from entities in jurisdictions that attracted higher statutory tax rates.



8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity decreased to \$860.6 million as at 31 December 2012 from \$920.6 million as at 31 December 2011. The decrease was mainly attributable to the purchase of 33,935,000 treasury shares of \$47.0 million, dividends payments of \$47.6 million and movements of \$34.6 million on translation of foreign operations resulting from strengthening of Singapore Dollars against US Dollars and Chinese Renminbi during the financial year. The decrease was offset by net profit for the year.

Current assets decreased to \$914.9 million as at 31 December 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 \$1,435.4 million as at 31 December 2012 from \$933.0 million as at 31 December 2011, which was mainly due to increases in intangible assets arising from service concession arrangements of \$205.4 million and financial receivables of \$286.5 million arising from the Group's activities in Asia ex-China.

Current liabilities increased to \$391.8 million as at 31 December 2012 from \$356.2 million as at 31 December 2011 mainly due to increase in trade payables. This was offset by repayments of fixed rate unsecured notes ("Notes") of \$88.5 million issued under the Group's Multicurrency Debt Issuance Programme.

Non-current liabilities increased to \$1,081.5 million as at 31 December 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 31 December 2012 was \$553.2 million of Notes that mature between 2014 and 2019.

The Group's net gearing ratio remained healthy at 0.67 times as at 31 December 2012.

8(b)(ii) The Company

The Company's shareholders' equity amounted to \$666.0 million as at 31 December 2012 as compared to \$656.3 million as at 31 December 2011. Major movements comprised purchases of 33,935,000 treasury shares of \$47.0 million, dividends payments of \$47.6 million as well as dividends from subsidiaries.

8(c) Statement of Cash flows

The Group's cash position decreased to \$541.2 million as at 31 December 2012 from \$662.4 million as at 31 December 2011.

In FY2012, net cash of \$243.9 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 \$270.9 million in FY2012, mainly contributed by collections from projects executed.

Cash used in the Group's investing activities in FY2012 was incurred for the construction of the Group's new headquarters and manufacturing facility at Tuas Hub.

Cash generated from the Group's financing activities in FY2012 was mainly from borrowings to fund the Group's projects. Excluding cash flow from borrowings, cash were used for payments of dividends and purchases of treasury shares.



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 significant trends and 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 has over the years been working on enhancing the predictable and recurring portion of its total revenues. A major part of this initiative is to be achieved by increasing the contribution and share of the Operation & Maintenance (“O&M”) business.

Hyflux’s order book today stands at S\$2.9 billion, with the O&M amount of \$1.9 billion which is the highest ever for the Group. This current position implies that Hyflux will have a much higher proportion of steady, recurring and predictable revenues as the O&M revenues are contractually supported over the concession periods of 20 to 30 years. In addition, share of predictable revenue is supported by asset returns, membrane sales and other services.

Tuaspring Desalination Plant in Singapore will start operations in the second half of this year, thereby enhancing the O&M revenues. This will be further augmented by the inclusion of Dahej Desalination Plant in Gujarat, India, for which the Water Purchase Agreement was signed in January 2013 and the Group is working on the financial close this year.

Construction works on the power plant facility at Tuaspring Desalination Plant are progressing as planned.

The insatiable thirst for water will drive long-term demand for sustainable sources of water through desalination and water recycling. Increasingly, countries are looking at private funding for public sector water investments, hence generating more Build-Operate-Transfer opportunities. Hyflux is actively pursuing such water infrastructure projects in Asia, the Middle East and other selective markets. The Group will continue to invest in the organic expansion of Galaxy NewSpring’s portfolio of water projects in China. Galaxy Newspring is a 50/50 joint venture between Hyflux and Mitsui & Co.

The Company has also recently announced that it is working on non-recourse project financing for its Tuaspring Desalination Plant project which comprises the desalination plant and power facility. The total project cost is estimated at S\$1.05 billion.

The Group will early adopt the new Singapore Financial Reporting Standard 111 – *Joint Arrangements* (“SFRS111”) for the financial year ending 31 December 2013. SFRS 111 mandates all joint ventures to now be accounted using the equity method. This change will not impact the Group’s net earnings.



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	2.50 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	2.10 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 25 April 2013, the dividend will be paid on 17 May 2013.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 6 May 2013 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 5.00 p.m. on 3 May 2013 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 p.m. on 3 May 2013 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	
	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000	2012 S\$'000	2011 S\$'000
External revenues	629,146	417,816	49,831	58,784	3,407	5,375	682,384	481,975
Inter-segment revenue	46,416	115,225	429	2,839	8,803	703	55,648	118,767
Interest income	1,811	203	1,381	1,322	1	8	3,193	1,533
Finance costs	(14,956)	(11,734)	-	(3)	(556)	(3)	(15,512)	(11,740)
Depreciation, amortisation and impairment	(8,889)	(7,778)	(8,532)	(16,315)	(2,127)	(387)	(19,548)	(24,480)
Reportable segment profit/(loss) before income tax	91,578	93,972	6,630	(12,800)	(2,791)	2,660	95,417	83,832
Share of profit/(loss) of associates, net of income tax	2,070	287	(418)	(1,145)	2,601	2,084	4,253	1,226
Tax (expenses)/income	(11,455)	(6,160)	261	(450)	(1,091)	292	(12,285)	(6,318)
Operating lease expenses	(13,846)	(6,713)	(295)	(493)	(1,017)	(1,678)	(15,158)	(8,884)
Contribution to defined contribution plan, included in staff cost	(5,221)	(5,099)	(1,437)	(1,316)	(392)	(116)	(7,050)	(6,531)
Reportable segment assets	1,741,235	1,418,559	186,189	214,036	104,412	86,088	2,031,836	1,718,683
Investments in associates	92,741	99,111	1,737	2,550	9,614	7,226	104,092	108,887
Capital expenditure	13,347	12,419	318	601	30,610	260	44,275	13,280
Reportable segment liabilities	479,373	353,344	24,808	25,683	50,615	55,623	554,796	434,650



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

	2012 S\$'000	2011 S\$'000
Revenues		
Total revenue for reportable segments	678,977	476,600
Other revenue	3,407	5,375
Consolidated revenue	<u>682,384</u>	<u>481,975</u>
Profit or loss		
Total profit or loss for reportable segments	98,208	81,172
Other profit or loss	(2,791)	2,660
	<u>95,417</u>	<u>83,832</u>
Unallocated amounts:		
- Other corporate expenses	(22,672)	(23,015)
Share of profit of associates, net of income tax	4,253	1,226
Consolidated profit before income tax	<u>76,998</u>	<u>62,043</u>
Assets		
Total assets for reportable segments	1,927,424	1,632,595
Other assets	104,412	86,088
Investments in associates	104,092	108,887
Other unallocated amounts	214,416	204,895
Consolidated total assets	<u>2,350,344</u>	<u>2,032,465</u>
Liabilities		
Total liabilities for reportable segments	504,181	379,027
Other liabilities	50,615	55,623
Other unallocated amounts	918,519	662,248
Consolidated total liabilities	<u>1,473,315</u>	<u>1,096,898</u>

Other material items in 2012

	Reportable segment totals S\$'000	Adjustments S\$'000	Consolidated totals S\$'000
Interest income	3,192	120	3,312
Finance costs	(14,956)	(13,504)	(28,460)
Capital expenditure	13,665	37,607	51,272
Depreciation, amortisation and impairment	(17,421)	(11,971)	(29,392)



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
Finance costs	(11,737)	(10,860)	(22,597)
Capital expenditure	13,020	45,440	58,460
Depreciation, amortisation and impairment	(24,093)	(12,544)	(36,637)

Geographical information

31 December 2012

	Revenues S\$'000	Non-current assets S\$'000
Middle East and North Africa	28,871	88,806
People's Republic of China	158,902	574,520
Asia ex-China	494,611	772,102
	682,384	1,435,428

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
Asia ex-China	226,849	303,856
	481,975	932,972

14. Breakdown of sales

	2012 S\$'000	2011 S\$'000	% increase
Sales reported for the first half year	329,337	197,895	66
Profit after tax before non-controlling interests reported for the first half year	27,758	22,973	21
Sales reported for the second half year	353,047	284,080	24
Profit after tax before non-controlling interests reported for the second half year	36,955	32,752	13



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

	Latest Full Year (2012) S\$'000	Previous Full Year (2011) S\$'000
Ordinary	23,580	35,875
Preference	24,066	12,033
Total	<u>47,646</u>	<u>47,908</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
21 February 2013