



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Second Quarter and Half Year Ended 30 June 2013

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 SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2013**

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2013	2012	Change	2013	2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		Restated			Restated	
Revenue	138,383	183,612	(25)	262,928	318,896	(18)
Other income	4,484	1,657	NM	6,368	3,302	93
Changes in inventories of finished goods and work-in-progress	(1,030)	(390)	NM	1,208	(2,241)	NM
Raw materials and consumables used and subcontractors' cost	(79,754)	(122,092)	(35)	(156,408)	(205,119)	(24)
Staff costs	(18,064)	(18,798)	(4)	(34,830)	(36,359)	(4)
Depreciation, amortisation and impairment	(3,425)	(4,164)	(18)	(7,672)	(8,066)	(5)
Other expenses	(12,774)	(14,145)	(10)	(24,827)	(26,396)	(6)
Finance costs	(6,248)	(5,098)	23	(12,238)	(10,215)	20
Share of (losses)/profits of associates and joint ventures, net of income tax	(1,173)	909	NM	(4,156)	(1,853)	NM
Profit before income tax	20,399	21,491	(5)	30,373	31,949	(5)
Tax expense	(3,151)	(2,965)	6	(5,168)	(4,191)	23
Profit for the period	17,248	18,526	(7)	25,205	27,758	(9)
Profit attributable to:						
Owners of the Company	17,690	17,513	1	25,734	25,196	2
Non-controlling interests	(442)	1,013	NM	(529)	2,562	NM
Profit for the period	17,248	18,526	(7)	25,205	27,758	(9)

NM: Not meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2013**

	<u>Group</u>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2013	2012	Change	2013	2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		Restated			Restated	
Profit for the period	17,248	18,526	(7)	25,205	27,758	(9)
Other comprehensive income:						
<u>Items that may be reclassified subsequently to profit or loss</u>						
Foreign currency translation differences for foreign operations	9,571	2,809	NM	13,889	(2,206)	NM
Effective portion of changes in fair value of cash flow hedges	1,129	-	NM	1,256	-	NM
Share of other comprehensive income of associates and joint ventures	9,799	2,184	NM	15,300	(5,298)	NM
	20,499	4,993	NM	30,445	(7,504)	NM
<u>Items that will not be reclassified to profit or loss</u>						
Net change in fair value of cash flow hedges transferred to profit or loss	(1,846)	451	NM	(3,276)	683	NM
Other comprehensive income/(loss) for the period, net of income tax	18,653	5,444	NM	27,169	(6,821)	NM
Total comprehensive income for the period	35,901	23,970	50	52,374	20,937	NM
Total comprehensive income attributable to:						
Owners of the Company	35,615	22,983	55	52,132	18,722	NM
Non-controlling interests	286	987	(71)	242	2,215	(89)
Total comprehensive income for the period	35,901	23,970	50	52,374	20,937	NM

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>					
	<u>Quarter ended 30 June</u>			<u>Half year ended 30 June</u>		
	2013	2012	Change	2013	2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
		Restated			Restated	
Depreciation, amortisation and impairment	(3,425)	(4,164)	(18)	(7,672)	(8,066)	(5)
Fair value loss on derivative financial instruments	-	(337)	NM	-	(160)	NM
Finance costs	(6,248)	(5,098)	23	(12,238)	(10,215)	20
Gain/(loss) on sale of property, plant and equipment	3	5,245	NM	(3)	5,199	NM
Impairment of trade and other receivables	-	(121)	NM	(23)	(50)	(54)
Interest income	753	778	(3)	1,470	1,507	(2)
Net foreign currency exchange gain/(loss)	1,066	(3,466)	NM	1,642	(4,529)	NM
Property, plant and equipment written off	(10)	-	NM	(10)	-	NM
(Under)/overprovision of prior years' tax	(400)	(464)	(14)	(422)	29	NM
Write back/(allowance) of inventory obsolescence	-	28	NM	(23)	21	NM

NM: Not meaningful



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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

	<u>Group</u>		<u>Company</u>	
	30 Jun 13 S\$'000	31 Dec 12 S\$'000 Restated	30 Jun 13 S\$'000	31 Dec 12 S\$'000
<u>NON-CURRENT ASSETS</u>				
Property, plant and equipment	196,224	195,388	-	-
Intangible assets	37,828	32,722	-	-
Intangible assets arising from service concession arrangements	438,842	226,485	-	-
Investments in subsidiaries	-	-	177,420	177,420
Investments in joint ventures	235,772	223,308	3,125	3,125
Investments in associates	104,344	104,092	14,318	14,109
Financial receivables	517,250	504,145	-	-
Trade and other receivables	15,191	14,594	753,108	760,736
Deferred tax assets	1,912	1,656	-	-
	<u>1,547,363</u>	<u>1,302,390</u>	<u>947,971</u>	<u>955,390</u>
<u>CURRENT ASSETS</u>				
Gross amounts due for contract work	123,313	119,119	-	-
Inventories	30,227	30,561	-	-
Financial receivables	13,974	7,289	-	-
Trade and other receivables	249,103	232,787	645,290	490,628
Cash and cash equivalents	375,113	497,558	147,037	176,216
	<u>791,730</u>	<u>887,314</u>	<u>792,327</u>	<u>666,844</u>
<u>CURRENT LIABILITIES</u>				
Trade and other payables	289,407	307,071	79,703	34,813
Loans and borrowings	71,592	58,688	19,074	10,000
Tax payable	7,075	8,932	3,489	2,868
	<u>368,074</u>	<u>374,691</u>	<u>102,266</u>	<u>47,681</u>
Net current assets	423,656	512,623	690,061	619,163
<u>NON-CURRENT LIABILITIES</u>				
Loans and borrowings	1,066,823	932,919	986,625	908,519
Deferred tax liabilities	5,646	5,065	-	-
	<u>1,072,469</u>	<u>937,984</u>	<u>986,625</u>	<u>908,519</u>
Net assets	898,550	877,029	651,407	666,034
<u>EQUITY</u>				
Share capital	605,956	605,196	605,956	605,196
Reserve for own shares	(51,484)	(51,484)	(51,484)	(51,484)
Capital reserve	9,605	9,094	2,389	1,858
Foreign currency translation reserve	(3,084)	(30,480)	-	-
Hedging reserve	(342)	656	-	-
Employees' share option reserve	23,462	22,457	23,462	22,457
Retained earnings	297,759	305,154	71,084	88,007
Total equity attributable to owners of the Company	881,872	860,593	651,407	666,034
Non-controlling interests	16,678	16,436	-	-
Total equity	898,550	877,029	651,407	666,034
<i>Group net borrowings (S\$)</i>	763,302	494,049	n.a.	n.a.
<i>Group net gearing (times)</i>	0.8x	0.6x	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 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	71,592	6,352	52,336

(ii) Amount repayable after one year

30 Jun 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
65,000	1,001,823	22,233	910,686

Details of any collateral

As at 30 June 2013 and 31 December 2012, secured bank loans of the Group were secured by land and building of a subsidiary.



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 2013**

	Group			
	Quarter ended 30 June		Half year ended 30 June	
	2013	2012	2013	2012
	S\$'000	S\$'000	S\$'000	S\$'000
		Restated		Restated
Cash flows from operating activities				
Profit before income tax	20,399	21,491	30,373	31,949
Adjustments for:				
Amortisation of transaction costs related to borrowings	166	-	370	-
Depreciation, amortisation and impairment	3,425	4,164	7,672	8,066
Employees' share option expense	156	631	1,005	1,605
Fair value loss on derivative financial instruments	-	337	-	160
Finance costs	6,248	5,098	12,238	10,215
(Gain)/loss on sale of property, plant and equipment	(3)	(5,245)	3	(5,199)
Impairment of trade and other receivables	-	121	23	50
Interest income	(753)	(778)	(1,470)	(1,507)
Property, plant and equipment written off	10	-	10	-
Share of losses/(profits) of associates and joint ventures, net of income tax	1,173	(909)	4,156	1,853
(Write back)/allowance of inventory obsolescence	-	(28)	23	(21)
	30,821	24,882	54,403	47,171
Change in inventories	822	(2,115)	305	(3,906)
Change in gross amounts due for contract work	(2,982)	14,920	(4,194)	54,511
Change in trade and other receivables	(17,269)	(11,127)	(19,213)	(7,019)
Change in trade and other payables	35,446	31,590	(21,135)	41,929
Cash from operating activities before service concession arrangement projects	46,838	58,150	10,166	132,686
Change in financial receivables from service concession arrangements	(10,042)	(140,122)	(19,327)	(222,294)
Change in intangible assets arising from service concession arrangements	(114,077)	1,824	(206,360)	(2,477)
Cash used in operating activities after service concession arrangement projects	(77,281)	(80,148)	(215,521)	(92,085)
Income tax paid	(4,237)	(6,225)	(6,645)	(7,230)
Net cash used in operating activities	(81,518)	(86,373)	(222,166)	(99,315)



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2013 (cont'd)**

	<u>Group</u>		<u>Group</u>	
	Quarter ended 30 June 2013 S\$'000	2012 S\$'000 Restated	Half year ended 30 June 2013 S\$'000	2012 S\$'000 Restated
Cash flows from investing activities				
Acquisition of intangible assets	(2,985)	(904)	(4,538)	(2,094)
Acquisition of property, plant and equipment	(1,617)	(16,715)	(2,882)	(23,320)
Additional investment in a joint venture	(964)	(5,454)	(964)	(5,454)
Change in amounts due from related parties (non-trade)	-	(601)	-	(271)
Dividends received from associates	300	450	720	780
Interest received	421	677	576	1,308
Proceeds from sale of property, plant and equipment	2	189	9	311
Net cash used in investing activities	(4,843)	(22,358)	(7,079)	(28,740)
Cash flows from financing activities				
Increase in deposits pledged	(1,832)	-	(1,832)	-
Dividends paid	(32,618)	(29,838)	(32,618)	(29,838)
Interest paid	(3,438)	(3,349)	(18,100)	(14,506)
Proceeds from borrowings	103,639	177,938	168,828	178,056
Proceeds from exercise of share options	572	138	760	287
Purchases of treasury shares	-	(23,258)	-	(39,542)
Repayment of borrowings	(27,848)	-	(39,421)	(13,500)
Net cash from financing activities	38,475	121,631	77,617	80,957
Net (decrease)/increase in cash and cash equivalents	(47,886)	12,900	(151,628)	(47,098)
Cash and cash equivalents at beginning of the period	350,261	541,188	449,014	606,617
Effect of exchange rate fluctuations on cash held	12,705	1,965	17,694	(3,466)
Cash and cash equivalents at end of the period [Note 1(c)(i)]	315,080	556,053	315,080	556,053

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>	
	30 Jun 13 S\$'000	30 Jun 12 S\$'000 Restated
Cash and cash equivalents as per statements of financial position	375,113	589,647
Less: Bank overdraft	(50,687)	(33,594)
Less: Deposits pledged	(9,346)	-
Cash and cash equivalents as per statement of cash flows	315,080	556,053



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 1.1.2013	605,196	(51,484)	9,094	(30,480)	656	22,457	305,154	860,593	16,436	877,029
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	25,734	25,734	(529)	25,205
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	13,118	-	-	-	13,118	771	13,889
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,256	-	-	1,256	-	1,256
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(3,276)	-	-	(3,276)	-	(3,276)
Share of other comprehensive income of associates and joint ventures	-	-	-	14,278	1,022	-	-	15,300	-	15,300
Total comprehensive income/(loss) for the period	-	-	-	27,396	(998)	-	25,734	52,132	242	52,374
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid	-	-	-	-	-	-	(32,618)	(32,618)	-	(32,618)
Issue of shares for cash under Employees' Share Option Schemes	760	-	-	-	-	-	-	760	-	760
Value of employee services received for issue of share options	-	-	-	-	-	1,005	-	1,005	-	1,005
Share of reserve of joint ventures	-	-	(20)	-	-	-	20	-	-	-
Transfer to capital reserve	-	-	531	-	-	-	(531)	-	-	-
Total transactions with owners	760	-	511	-	-	1,005	(33,129)	(30,853)	-	(30,853)
At 30.06.2013	605,956	(51,484)	9,605	(3,084)	(342)	23,462	297,759	881,872	16,678	898,550



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 1.1.2012	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	-	-	-	(1,859)	-	-	-	(1,859)	(347)	(2,206)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	683	-	-	683	-	683
Share of other comprehensive income of associates and joint ventures	-	-	-	(5,343)	45	-	-	(5,298)	-	(5,298)
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 paid	-	-	-	-	-	-	(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



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 1.1.2013	605,196	(51,484)	1,858	22,457	88,007	666,034
Profit for the period representing total comprehensive income for the period	-	-	-	-	16,226	16,226
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(32,618)	(32,618)
Issue of shares for cash under Employees' Share Option Schemes	760	-	-	-	-	760
Value of employee services received for issue of share options	-	-	-	1,005	-	1,005
Transfer to capital reserve	-	-	531	-	(531)	-
Total transactions with owners	760	-	531	1,005	(33,149)	(30,853)
At 30.06.2013	605,956	(51,484)	2,389	23,462	71,084	651,407
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 paid	-	-	-	-	(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



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 second quarter ended 30 June 2013 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 April 2013	825,414,739	161,331
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	629,750	572
At 30 June 2013	<u>826,044,489</u>	<u>161,903</u>
Preference shares		
At 1 April 2013 and 30 June 2013	<u>4,000,000</u>	<u>392,569</u>
Issued share capital at 30 June 2013		<u><u>554,472</u></u>

As at 30 June 2013, the number of ordinary shares in issue were 826,044,489 (30 June 2012: 830,233,364), excluding 37,146,000 (30 June 2012: 31,946,000) 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 2013 were 4,000,000 (30 June 2012: 4,000,000).

Outstanding share options under the Scheme

	No. of options
At 1 January 2013	45,417,477
Options granted	2,180,000
Options granted but not accepted	-
Exercised/Forfeited	<u>(4,809,477)</u>
At 30 June 2013	<u>42,788,000</u>

As at 30 June 2013, the number of outstanding share options under the Schemes were 42,788,000 (30 June 2012: 46,744,993).



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 2013 were 37,146,000 (31 December 2012: 37,146,000).

The total number of issued ordinary shares excluding treasury shares as at 30 June 2013 were 826,044,489 (31 December 2012: 825,222,739).

There was no change in the Company's issued CPS during the first half year ended 30 June 2013. The total number of issued CPS as at 30 June 2013 were 4,000,000 (31 December 2012: 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 2013.

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 the financial year beginning on 1 January 2013. Other than those disclosed in first quarter ended 31 March 2013, there have been no further changes.

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.

	Quarter ended 30 June			Half year ended 30 June		
	2013	2012	Change %	2013	2012	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	1.42 cts	1.36 cts	4.4	1.66 cts	1.56 cts	6.4
- Weighted average number of shares	825,946,489	845,342,031	(2.3)	825,680,614	846,544,447	(2.5)
On a fully diluted basis of ordinary shares	1.41 cts	1.33 cts	6.0	1.66 cts	1.54 cts	7.8
- Adjusted weighted average number of shares	826,987,186	862,680,819	(4.1)	827,140,671	858,549,001	(3.7)

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:

	Group		Company	
	30 Jun 13 Cents	31 Dec 12 Cents	30 Jun 13 Cents	31 Dec 12 Cents
Based on 826,044,489 (31 December 2012: 825,222,739) ordinary shares in issue	58.3	55.8	30.4	32.2

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) Revenue and earnings

The Group achieved profit attributable to owners of the Company (PATMI) of \$17.7 million for the second quarter ended 30 June 2013 (2Q2013), an increase from \$17.5 million for the second quarter ended 30 June 2012 (2Q2012). This is despite a decline of 25% in revenue to \$138.4 million in the quarter. For the first half ended 30 June 2013 (1H2013), the Group recorded PATMI of \$25.7 million which was an increase from \$25.2 million achieved in the first half year ended 30 June 2012 (1H2012). Total revenue for 1H2013 was \$262.9 million, 18% decline from 1H2012.

Gross margin improved from 33% in 2Q2012 to 42% in 2Q2013 due to improved overall cost management. For the half, gross margin improved from 35% in 1H2012 to 41% in 1H2013.



Basic and fully diluted earnings per share (adjusted for dividends on CPS) for 2Q2013 increased by 4.4% and 6.0% respectively to 1.42 cents and 1.41 cents respectively as compared to 2Q2012. For 1H2013, it increased by 6.4% and 7.8% respectively to 1.66 cents as compared to 1H2012.

Sector Review

The municipal sector continued to be the main contributor to the Group's revenue, accounting for 91% and 92% of the Group's total revenue in 2Q2013 and 1H2013 respectively. This is largely similar to the municipal sector's contribution of 93% and 92% of the Group's total revenue in 2Q2012 and 1H2012 respectively. These municipal projects are from Asia and MENA.

The Group's industrial sector contributed 8% and 7% of the Group's total revenue in 2Q2013 and 1H2013 respectively. This is largely similar to the profile in 2012.

Geographical Review

The Asia ex-China market remained the major revenue contributor in 2Q2013, representing 86% of the Group's total revenue, an increase from 80% in 2Q2012. For 1H2013, Asia ex-China contributed 87% to the Group's total revenue from 74% for 1H2012. Revenue of \$228.8 million was generated in 1H2013 as compared to \$236.7 million for 1H2012.

On the other hand, the Group saw marginal contributions from the MENA region as the markets in the region were just resuming their water infrastructure development programme. Contributions from MENA had shifted from \$7.3 million in 2Q2012 to \$5.0 million in 2Q2013, which translated into 4% in both 2Q2012 and 2Q2013 of the Group's total revenue. For 1H2013, \$10.9 million representing 4% of total revenue was recorded from MENA as compared to \$19.3 million or 6% in 1H2012.

The Group's China market contributed \$13.8 million or 10% to the total revenue for 2Q2013 as compared to \$30.2 million or 16% in 2Q2012. For 1H2013, 9% or \$23.2 million revenue were from China as compared to 20% or \$62.9 million in 1H2012. The lower revenue contributions from China were the result of fewer expansion projects as compared to corresponding periods.

8(a)(ii) Costs and expenses

Lower raw materials, consumables used and subcontractors' costs were used for 2Q2013 and 1H2013 in aggregate as compared to corresponding periods. This is in line with the lower revenue recorded during the period as well as strong overall cost management.

Total staff costs decreased from \$18.8 million in 2Q2012 to \$18.1 million in 2Q2013; and from \$36.4 million in 1H2012 to \$34.8 million in 1H2013.

Finance costs increased by 23% in 2Q2013 and by 20% in 1H2013, from \$5.1 million in 2Q2012 to \$6.2 million in 2Q2013, and \$10.2 million in 1H2012 to \$12.2 million in 1H2013, respectively, due to higher bank borrowings.

Depreciation, amortisation and impairment decreased for both periods from \$4.2 million in 2Q2012 to \$3.4 million in 2Q2013 and \$8.1 million in 1H2012 to \$7.7 million in 1H2013.

Other expenses decreased from \$14.1 million for 2Q2012 to \$12.8 million for 2Q2013, and from \$26.4 million for 1H2012 to \$24.8 million for 1H2013. The decreases were attributed to favorable foreign exchange differences as well as lower professional fees and utilities expenses incurred during the periods.

The effective tax rate at 14.6% for 2Q2013 (15.0% for 1H2013) 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(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased to \$881.9 million as at 30 June 2013 from \$860.6 million as at 31 December 2012. The increase was mainly attributable to movements of \$27.4 million on translation of foreign operations resulting from weakening of Singapore Dollars against US Dollars and Chinese Renminbi and net profit during the financial period. This was offset by dividends payments of \$32.6 million.

Current assets decreased to \$791.7 million as at 30 June 2013 from \$887.3 million as at 31 December 2012, which was mainly due to decreases in cash and cash equivalents.

Non-current assets increased to \$1,547.4 million as at 30 June 2013 from \$1,302.4 million as at 31 December 2012, which was mainly due to increases in financial receivables of \$13.1 million and in intangible assets arising from service concession arrangements of \$212.4 million arising from the Group's activities in Asia ex-China.

Current liabilities decreased to \$368.1 million as at 30 June 2013 from \$374.7 million as at 31 December 2012, which was attributed to decrease in payables which was offset by increase in short term loans and borrowings.

Non-current liabilities increased to \$1,072.5 million as at 30 June 2013 from \$938.0 million as at 31 December 2012 due to increase in loans and borrowings. Included in the balances as at 30 June 2013 was \$553.4 million fixed rate unsecured notes issued under the Group's Multicurrency Debt Issuance Programme that mature between 2014 and 2019.

The Group's net gearing ratio remained healthy at 0.8 times as at 30 June 2013.

8(b)(ii) The Company

The Company's shareholders' equity decreased to \$651.4 million as at 30 June 2013 as compared to \$666.0 million as at 31 December 2012. Major movements comprised dividends payments of \$32.6 million as well as dividends from an associate.

8(c) Statement of Cash flows

The Group's cash position decreased to \$375.1 million as at 30 June 2013 from \$497.6 million as at 31 December 2012.

For 2Q2013 and 1H2013, net cash of \$81.5 million and \$222.2 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 \$46.8 million and \$10.2 million in 2Q2013 and 1H2013 respectively.

Cash used in the Group's investing activities in 2Q2013 and 1H2013 were incurred for capital expenditure of property, plant and equipment and intangible assets to support the Group's expansion.

Cash generated from the Group's financing activities in 2Q2013 and 1H2013 was mainly from borrowings to fund the Group's projects. Excluding cash flow from borrowings, cash were used for payments of dividends, and repayments of borrowings and interests.



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.

The official opening of Hyflux's flagship 318,500m³/day Tuaspring Desalination Plant is scheduled to take place in September 2013. The Group has appointed Maybank to arrange the non-recourse project financing for the desalination plant, including its on-site power plant with financial close expected in third quarter of FY2013. EPC works on the power plant are progressing as planned but its operational readiness will be dependent on the timely connection to the national power grid. The Group is working with the authority to address this matter.

China is experiencing an economic pull-back and a slow-down in industrial output as well as credit tightening. The Group has withdrawn from two water projects at the Hechuan Industrial Park in Chongqing City, China due to a foreseeable low off-take volume of the water. The exit from the two projects is not expected to have any material financial impact on the Group for the financial year ending 31 December 2013.

The Group will continue to focus on opportunities in growth regions in China such as in the Yunnan province where the Group has signed two memoranda of understanding for the development of water projects.

In markets such as Singapore, India, the Middle East and Africa, the Group has identified a pipeline of projects. In India, the Group is working towards financial close for its joint desalination project with Hitachi. In addition, it is working on securing projects in the states of Gujarat, Tamil Nadu, Karnataka and Andhra Pradesh.

Selective markets in the Middle East and Africa have started to revive development plans to improve their water scarcity situation, such as Saudi Arabia, Oman, Qatar, Kuwait, Algeria, Libya, Nigeria, Ghana and South Africa.

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	0.70 cents per ordinary share
Tax rate	One tier tax exempt

(c) Date payable.

5 September 2013

(d) Books closure date.

16 August 2013

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 quarter ended 30 June 2013 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
6 August 2013