



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Financial Year Ended 31 December 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 FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Group</u>		
	2013	2012	Change
	S\$'000	S\$'000	%
		Restated	
Revenue	535,790	654,766	(18)
Other income	10,224	7,045	45
Changes in inventories of finished goods and work-in-progress	8,501	(353)	NM
Raw materials and consumables used and subcontractors' costs	(275,770)	(396,999)	(31)
Staff costs	(73,110)	(84,035)	(13)
Depreciation, amortisation and impairment	(42,108)	(23,660)	78
Other expenses	(79,034)	(56,724)	39
Finance costs	(27,519)	(21,399)	29
Share of losses of associates and joint ventures, net of income tax	(5,351)	(2,473)	NM
Profit before income tax	51,623	76,168	(32)
Tax expense	(8,727)	(11,455)	(24)
Profit for the year	42,896	64,713	(34)
Profit attributable to:			
Owners of the Company	44,026	60,994	(28)
Non-controlling interests	(1,130)	3,719	NM
Profit for the year	42,896	64,713	(34)

NM: Not Meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Group</u>		
	2013 S\$'000	2012 S\$'000 Restated	Change %
Profit for the year	42,896	64,713	(34)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences for foreign operations	15,257	(14,776)	NM
Effective portion of changes in fair value of cash flow hedges	(883)	3,044	NM
Share of other comprehensive income of associates and joint ventures	18,405	(20,377)	NM
	<u>32,779</u>	<u>(32,109)</u>	NM
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Effect of changes in control of consolidated entities	(1,142)	-	NM
Liquidation of subsidiaries	4	-	NM
Net change in fair value of cash flow hedges transferred to profit or loss	(6,065)	1,152	NM
	<u>(7,203)</u>	<u>1,152</u>	NM
Other comprehensive income/(loss) for the year, net of income tax	<u>25,576</u>	<u>(30,957)</u>	NM
Total comprehensive income for the year	<u>68,472</u>	<u>33,756</u>	NM
Total comprehensive income attributable to:			
Owners of the Company	68,998	31,072	NM
Non-controlling interests	(526)	2,684	NM
Total comprehensive income for the year	<u>68,472</u>	<u>33,756</u>	NM

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: -

	2013	2012	Change
	S\$'000	S\$'000	%
		Restated	
Allowance for inventory obsolescence	(109)	(638)	(83)
Depreciation, amortisation and impairment	(42,108)	(23,660)	78
Fair value loss on derivative financial instruments	-	(897)	NM
Finance costs	(27,519)	(21,399)	29
Financial receivables written off	(2,617)	-	NM
Gain on disposal of subsidiaries	810	-	NM
Impairment of trade and other receivables	(8,441)	(520)	NM
Intangible assets written off	-	(35)	NM
Interest income	2,318	3,144	(26)
Gain/(loss) on liquidation of subsidiaries	3	(603)	NM
(Loss)/gain on sale of property, plant and equipment	(39)	5,223	NM
Net foreign currency exchange loss	(2,974)	(3,138)	(5)
Property, plant and equipment written off	(10)	-	NM
(Under)/overprovision of prior years' tax	(243)	1,573	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 31 DECEMBER 2013

	<u>Group</u>			<u>Company</u>	
	31 Dec 2013 S\$'000	31 Dec 2012 S\$'000 Restated	1 Jan 2012 S\$'000 Restated	31 Dec 2013 S\$'000	31 Dec 2012 S\$'000
<u>NON-CURRENT ASSETS</u>					
Property, plant and equipment	180,439	195,388	176,682	-	-
Intangible assets	34,247	32,722	33,915	-	-
Intangible assets arising from service concession arrangements	800,185	226,485	11,830	-	-
Investments in subsidiaries	-	-	-	176,790	177,420
Investments in joint ventures	237,284	223,308	236,863	3,125	3,125
Investments in associates	105,118	104,092	108,887	14,535	14,109
Other investments	18,022	-	-	630	-
Financial receivables	383,250	504,145	219,556	-	-
Trade and other receivables	15,139	14,594	15,552	526,963	760,736
Deferred tax assets	1,951	1,656	2,412	-	-
	<u>1,775,635</u>	<u>1,302,390</u>	<u>805,697</u>	<u>722,043</u>	<u>955,390</u>
<u>CURRENT ASSETS</u>					
Gross amounts due for contract work	96,987	119,119	179,046	-	-
Inventories	34,643	30,561	23,124	-	-
Financial receivables	11,702	7,289	701	-	-
Trade and other receivables	233,593	232,787	251,082	719,593	490,628
Cash and cash equivalents	243,945	497,558	627,560	68,576	176,216
	<u>620,870</u>	<u>887,314</u>	<u>1,081,513</u>	<u>788,169</u>	<u>666,844</u>
<u>CURRENT LIABILITIES</u>					
Trade and other payables, including derivatives	218,931	307,071	220,009	24,320	34,813
Loans and borrowings	128,999	58,688	112,752	65,957	10,000
Tax payable	11,928	8,932	10,111	7,098	2,868
	<u>359,858</u>	<u>374,691</u>	<u>342,872</u>	<u>97,375</u>	<u>47,681</u>
Net current assets	261,012	512,623	738,641	690,794	619,163
<u>NON-CURRENT LIABILITIES</u>					
Trade and other payables, including derivatives	7,199	-	-	-	-
Loans and borrowings	1,137,980	932,919	604,144	737,452	908,519
Deferred tax liabilities	5,176	5,065	4,627	-	-
	<u>1,150,355</u>	<u>937,984</u>	<u>608,771</u>	<u>737,452</u>	<u>908,519</u>
Net assets	886,292	877,029	935,567	675,385	666,034



STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 (cont'd)

	31 Dec 2013 S\$'000	<u>Group</u>		<u>Company</u>	
		31 Dec 2012 S\$'000 Restated	1 Jan 2012 S\$'000 Restated	31 Dec 2013 S\$'000	31 Dec 2012 S\$'000
<u>EQUITY</u>					
Share capital	606,887	605,196	604,740	606,887	605,196
Reserve for own shares	(51,484)	(51,484)	(4,461)	(51,484)	(51,484)
Capital reserve	7,560	9,094	6,467	2,919	1,858
Foreign currency translation reserve	(101)	(30,480)	3,635	-	-
Hedging reserve	(4,751)	656	(3,996)	-	-
Employees' share option reserve	24,186	22,457	19,647	24,186	22,457
Retained earnings	300,277	305,154	294,559	92,877	88,007
Total equity attributable to owners of the Company	882,574	860,593	920,591	675,385	666,034
Non-controlling interests	3,718	16,436	14,976	-	-
Total equity	886,292	877,029	935,567	675,385	666,034
<i>Group net borrowings (S\$)</i>	1,023,034	494,049	89,336	n.a.	n.a.
<i>Group net gearing (times)</i>	1.15x	0.56x	0.10x	n.a.	n.a.



NOTES TO STATEMENTS OF FINANCIAL POSITION

1(b)(ii) Group's borrowings and debt securities

(i) Amount repayable in one year or less, or on demand

31 Dec 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
2,000	126,999	6,352	52,336

(ii) Amount repayable after one year

31 Dec 13		31 Dec 12	
		Restated	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
271,781	866,199	22,233	910,686

Details of any collateral

As at 31 December 2013, secured bank loans of the Group are secured by leasehold property, specific project assets under project financing of certain subsidiaries.

As at 31 December 2012, secured bank loans of the Group were secured by leasehold property 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 FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Group</u>	
	2013	2012
	S\$'000	S\$'000
		Restated
Cash flows from operating activities		
Profit before income tax	51,623	76,168
Adjustments for:		
Allowance for inventory obsolescence	109	638
Amortisation of transaction costs related to borrowings	1,680	503
Depreciation, amortisation and impairment	42,108	23,660
Employees' share option expense	1,729	2,810
Fair value loss on derivative financial instruments	-	897
Finance costs	27,519	21,399
Financial receivables written off	2,617	-
Gain on disposal of subsidiaries	(810)	-
Impairment of trade and other receivables	8,441	520
Intangible assets written off	-	35
Interest income	(2,318)	(3,144)
(Gain)/loss on liquidation of subsidiaries	(3)	603
Loss/(gain) on sale of property, plant and equipment	39	(5,223)
Property, plant and equipment written off	10	-
Share of losses of associates and joint ventures, net of income tax	5,351	2,473
	<u>138,095</u>	<u>121,339</u>
Change in inventories	(4,620)	(8,075)
Change in gross amounts due for contract work	13,175	60,263
Change in trade and other receivables	(36,450)	19,207
Change in trade and other payables	(64,573)	81,948
	<u>45,627</u>	<u>274,682</u>
Cash from operating activities before service concession arrangement projects		
Change in financial receivables from service concession arrangements	(33,369)	(291,177)
Change in intangible assets arising from service concession arrangements	(427,848)	(206,425)
	<u>(415,590)</u>	<u>(222,920)</u>
Cash used in operating activities after service concession arrangement projects		
Income tax paid	(6,841)	(11,069)
	<u>(422,431)</u>	<u>(233,989)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Acquisition of intangible assets	(6,762)	(5,901)
Acquisition of property, plant and equipment	(6,704)	(39,271)
Additional investments in joint ventures	(964)	(5,461)
Dividends received from associates	1,620	1,770
Effect of changes in control of consolidated entities	(14,714)	-
Net cash outflow on liquidation of subsidiaries	(167)	-
Interest received	1,204	1,591
Proceeds from sale of property, plant and equipment	70	7,835
	<u>(26,417)</u>	<u>(39,437)</u>
Net cash used in investing activities		



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)**

	2013	Group	2012
	S\$'000		S\$'000
			Restated
Cash flows from financing activities			
Decrease/(increase) in deposits pledged	4,964		(7,087)
Dividends paid	(50,437)		(47,646)
Dividends paid to non-controlling interests of subsidiaries	(1,048)		-
Interest paid	(38,737)		(30,224)
Proceeds from borrowings	704,807		628,859
Proceeds from exercise of share options	1,691		456
Purchases of treasury shares	-		(47,023)
Repayment of borrowings	(453,204)		(366,346)
Net cash from financing activities	168,036		130,989
Net decrease in cash and cash equivalents	(280,812)		(142,437)
Cash and cash equivalents at beginning of the year	449,015		606,617
Effect of exchange rate fluctuations on cash held	14,382		(15,165)
Cash and cash equivalents at end of the year [Note 1(c)(i)]	182,585		449,015

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:

	2013	Group	2012
	S\$'000		S\$'000
			Restated
Cash and cash equivalents as per statement of financial position	243,945		497,558
Less: Bank overdraft	(59,217)		(41,456)
Less: Deposits pledged	(2,143)		(7,087)
Cash and cash equivalents as per statement of cash flows	182,585		449,015



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 year										
Profit/(loss) for the year	-	-	-	-	-	-	44,026	44,026	(1,130)	42,896
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	14,321	-	-	-	14,321	936	15,257
Effect of changes in control of consolidated entities	-	-	-	(810)	-	-	-	(810)	(332)	(1,142)
Liquidation of subsidiaries	-	-	-	4	-	-	-	4	-	4
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(883)	-	-	(883)	-	(883)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	(6,065)	-	-	(6,065)	-	(6,065)
Share of reserve of joint ventures	-	-	(20)	-	-	-	20	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	16,864	1,541	-	-	18,405	-	18,405
Total comprehensive income/(loss) for the year	-	-	(20)	30,379	(5,407)	-	44,046	68,998	(526)	68,472
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid	-	-	-	-	-	-	(50,437)	(50,437)	-	(50,437)
Issue of shares for cash under Employees' Share Option Schemes	1,691	-	-	-	-	-	-	1,691	-	1,691
Value of employee services received for issue of share options	-	-	-	-	-	1,729	-	1,729	-	1,729
Transfer to capital reserve	-	-	1,061	-	-	-	(1,061)	-	-	-
	1,691	-	1,061	-	-	1,729	(51,498)	(47,017)	-	(47,017)
Changes in ownership interest in subsidiaries										
Effect of changes in control of consolidated entities	-	-	(2,575)	-	-	-	2,575	-	(12,192)	(12,192)
Total transactions with owners	1,691	-	(1,514)	-	-	1,729	(48,923)	(47,017)	(12,192)	(59,209)
At 31.12.2013	606,887	(51,484)	7,560	(101)	(4,751)	24,186	300,277	882,574	3,718	886,292



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 year										
Profit for the year	-	-	-	-	-	-	60,994	60,994	3,719	64,713
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	-	(13,741)	-	-	-	(13,741)	(1,035)	(14,776)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	3,044	-	-	3,044	-	3,044
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	1,152	-	-	1,152	-	1,152
Share of other comprehensive income of associates and joint ventures	-	-	-	(20,833)	456	-	-	(20,377)	-	(20,377)
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
Transfer to capital reserve	-	-	2,753	-	-	-	(2,753)	-	-	-
	456	(47,023)	2,753	-	-	2,810	(50,399)	(91,403)	(1,224)	(92,627)
Changes in ownership interest in subsidiaries										
Liquidation of subsidiary	-	-	(126)	459	-	-	-	333	-	333
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



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 year representing total comprehensive income for the year	-	-	-	-	56,368	56,368
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(50,437)	(50,437)
Issue of shares for cash under Employees' Share Option Schemes	1,691	-	-	-	-	1,691
Value of employee services received for issue of share options	-	-	-	1,729	-	1,729
Transfer to capital reserve	-	-	1,061	-	(1,061)	-
Total transactions with owners	1,691	-	1,061	1,729	(51,498)	(47,017)
At 31.12.2013	606,887	(51,484)	2,919	24,186	92,877	675,385
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



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 fourth quarter ended 31 December 2013 were as follows:

Issued share capital

	No. of shares	Amount S\$'000
Ordinary shares		
At 1 October 2013	826,674,489	162,521
Issue of shares under the Employees' Share Option Schemes ("the Schemes")	333,500	313
At 31 December 2013	827,007,989	162,834
Preference shares		
At 1 October 2013 and 31 December 2013	4,000,000	392,569
Issued share capital at 31 December 2013		555,403

As at 31 December 2013, the number of ordinary shares in issue were 827,007,989 (31 December 2012: 825,222,739), excluding 37,146,000 (31 December 2012: 37,146,000) 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 2013 were 4,000,000 (31 December 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	(8,299,727)
At 31 December 2013	39,297,750

As at 31 December 2013, the number of outstanding share options under the Schemes were 39,297,750 (31 December 2012: 45,417,477).



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

The total number of issued ordinary shares excluding treasury shares as at 31 December 2013 were 827,007,989 (31 December 2012: 825,222,739).

There was no change in the Company's issued CPS during the financial year ended 31 December 2013. The total number of issued CPS as at 31 December 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 31 December 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. Except as disclosed below, none of these have a significant impact on the financial statements.

The Group has early adopted these Financial Reporting Standards ("FRSs") from the financial period beginning 1 January 2013. These FRSs' mandatory effective date would have been from 1 January 2014 onwards.

- FRS 110 Consolidated Financial Statements
- FRS 111 Joint Arrangements
- FRS 112 Disclosure of Interests in Other Entities
- Revised FRS 27 Separate Financial Statements
- Revised FRS 28 Investments in Associates and Joint Ventures



Previously, the Group accounted for its investments in joint arrangements using proportionate consolidation method. Arising from the application of FRS 111, all the existing joint arrangements are classified as joint venture and accounted for using the equity method. These changes has been applied retrospectively with comparative figures restated.

The effect of the application of FRS 111 was a decrease of \$27.6 million in revenue for the financial year ended 31 December 2012 ("FY2012") with no changes to the Group's net assets as at 31 December 2012 and net profits for FY2012.

Additionally, the Group adopted FRS 1 – *Presentation of Items of Other Comprehensive Income (Amendments to FRS 1)* which become effective for financial period beginning on or after 1 July 2012. Upon adoption, the Group classified its other comprehensive income into items that (i) will not be reclassified subsequently to profit or loss; and (ii) may be reclassified subsequently to profit or loss when specific conditions are met.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

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.

	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	2.42 cts	4.43 cts	(45.4)
- Weighted average number of shares	826,216,677	835,838,999	(1.2)
On a fully diluted basis of ordinary shares	2.42 cts	4.42 cts	(45.2)
- Adjusted weighted average number of shares	<u>826,761,402</u>	<u>837,238,065</u>	(1.3)

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 13 Cents	31 Dec 12 Cents	31 Dec 13 Cents	31 Dec 12 Cents
Based on 827,007,989 (31 December 2012: 825,222,739) ordinary shares in issue	<u>58.4</u>	<u>55.8</u>	<u>33.3</u>	<u>32.2</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's 318,500m³/day Tuaspring Desalination Plant in Singapore was inaugurated on 18 September 2013. The engineering, procurement and construction (EPC) works on the on-site power plant are progressing as planned with its completion dependent upon the operational readiness of the national power grid to connect to our plant.

The Group achieved profit attributable to the shareholders of the Company (PATMI) of \$44.0 million for the financial year ended 31 December 2013 (FY2013), a decrease from \$61.0 million for the financial year ended 31 December 2012 (FY2012). Total revenue for FY2013 was \$535.8 million, a 18% decline from FY2012 of \$654.8 million. This reflected the timing of projects completed during the year.

The Group reported gross profits of \$268.5 million in FY2013 compared to \$257.4 million in FY2012 contributed by projects undertaken during the period as well as continuing overall cost management.

Basic and fully diluted earnings per share (adjusted for dividends on CPS) for FY2013 decreased by 45.4% and 45.2% respectively to 2.42 cents as compared to FY2012.

Sector Review

Municipal sector continued to be the main contributor to the Group's revenue, accounting for 93% and 92% of the Group's total revenue in FY2013 and FY2012 respectively. The Group's municipal projects are from Asia and MENA.

Revenue contribution from the industrial sector made up 5% and 7% of the Group's revenue for FY2013 and FY2012 respectively.

Geographical Review

The Asia ex-China market remained the major revenue contributor in FY2013, representing 87% of the Group's total revenue, an increase from 76% in FY2012.

The Group's China market contributed 9% to the total revenue in FY2013, a drop from 20% in FY2012 as a result of fewer expansion projects as compared to previous year.

Contributions from MENA remained at 4% for FY2013, similar to FY2012.

8(a)(ii) Costs and expenses

Lower raw materials, consumables used and subcontractors' costs were utilised for FY2013 in aggregate as compared to corresponding periods due to completion of some major projects and improved cost management. These direct costs decreased from \$397.0 million in FY2012 to \$275.8 million in FY2013.

Total staff costs decreased from \$84.0 million in FY2012 to \$73.1 million in FY2013. This was in line with the completion of some of the Group's major projects.



Finance costs increased by 29% from \$21.4 million in FY2012 to \$27.5 million in FY2013, due to overall higher borrowings in financing the Group's projects.

Depreciation, amortisation and impairment increased from \$23.7 million in FY2012 to \$42.1 million in FY2013 mainly due to an impairment of \$12.8 million arising from deconsolidation of subsidiaries and write-off of certain carrying amounts of the Group's non-core business and technology related assets. On 30 August 2013, the Group announced that the members of Hyflux Filtech (Singapore) Pte Ltd ("HFS") resolved to liquidate HFS by way of a members' voluntary liquidation. HFS was a 71% owned subsidiary of the Group with two subsidiaries in the People's Republic of China, namely, Hyflux Filtech (Shanghai) Co., Ltd and Hyflux Unitech (Shanghai) Co., Ltd. Consequently, the Group deconsolidated these subsidiaries as it assessed it no longer has control and reclassified these entities as other investments.

Other expenses increased from \$56.7 million in FY2012 to \$79.0 million in FY2013, contributed by higher utilities and professional fees incurred during the financial year as well as provisions against receivables amounting to \$11.1 million.

The effective tax rate for FY2013 was at 15.3% (14.6% for FY2012) which approximated Singapore prevailing corporate tax rate.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased from \$860.6 million as at 31 December 2012 to \$882.6 million as at 31 December 2013. In addition to net profit for the year, strengthening of US Dollars and Chinese Renminbi against the Singapore dollars during the year had increased the equity base of the Group by contributing to a gain on translation of foreign operations. On the other hand, hedging reserve of \$7.2 million arising from marked-to-market of interest rate swaps entered into by the Group were recorded as at year-end. In FY2013, total dividends of \$50.4 million were paid for ordinary and preference shares. The increase in shareholders' equity were reduced by both marked-to-market of interest rate swaps and dividends payments.

Current assets saw a decline from \$887.3 million as at 31 December 2012 to \$620.9 million as at 31 December 2013 as a result of deployment of fundings for projects. Non-current assets increased from \$1,302.4 million as at 31 December 2012 to \$1,775.6 million as at 31 December 2013, contributed mainly from the Group's investments in projects with service concession arrangements.

Non-current liabilities increased from \$938.0 million as at 31 December 2012 to \$1,150.4 million as at 31 December 2013 due to increase in borrowings including non-recourse financing as well as derivative liabilities arising from interest rate swaps as mentioned above. Included in the balances as at 31 December 2013 was \$493.7 million of fixed-rate unsecured notes issued under the Group's Multicurrency Debt Issuance Programme that mature between 2015 and 2019.

The Group reported net gearing ratio of 1.15 times as at 31 December 2013.

Subsequent to year-end, the Group issued \$300 million perpetual capital securities ("Capital Securities") with 5.75% interest on 23 January 2014. These Capital Securities are unsecured and redeemable at the option of Hyflux, in whole or in part, on or after 23 January 2017.

8(b)(ii) The Company

The Company's shareholders' equity increased from \$666.0 million as at 31 December 2012 to \$675.4 million as at 31 December 2013. Major movements comprised ordinary and preference dividends paid of \$50.4 million during the period and dividends from subsidiaries.



8(c) Statement of Cash flows

The Group's overall cash position decreased from \$497.6 million as at 31 December 2012 to \$243.9 million as at 31 December 2013.

In FY2013, net cash of \$422.4 million was used in the Group's operating activities, mainly towards the Group's investments in projects with service concession arrangements. Excluding cash used in these projects, net cash generated in the Group's operating activities was \$45.6 million.

Investing activities in FY2013 were incurred mainly for capital expenditure in support of the Group's activities. Included in investing activities, a cash outflow of \$14.7 million was recorded arising from the deconsolidation of subsidiaries in FY2013.

Cash generated from the Group's financing activities in FY2013 were mainly from borrowings, net of repayments, for fundings of the Group's projects. The Group paid \$26.4 million and \$24.0 million for ordinary and preference dividends respectively during the financial year.

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.

As at 31 December 2013, the Group's order book stood at S\$2.67 billion, with S\$732 million worth of EPC contracts and S\$1.9 billion from operations and maintenance.

The Group expects a slower first half in FY2014 due to the timing of projects. The Group aims to achieve the financial close for its Dahej project in India in the first half of FY2014 which will signal the start of EPC works on the 336,000m³/day desalination plant.

The outlook for the global water industry has improved and more water infrastructure projects are being made available for public tenders. Beyond the Group's established markets in Asia and Algeria, it is also focusing more on and actively tendering for projects in the Middle East and Africa.



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	1.60 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	2.50 cents per ordinary share
Tax rate	One tier tax exempt

(c) Date payable.

Subject to shareholders' approval at the Annual General Meeting to be held on 24 April 2014, the dividend will be paid on 15 May 2014.

(d) Books closure date.

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 5 May 2014 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 2 May 2014 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 2 May 2014 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	
	2013 S\$'000	2012 S\$'000 Restated	2013 S\$'000	2012 S\$'000 Restated	2013 S\$'000	2012 S\$'000 Restated	2013 S\$'000	2012 S\$'000 Restated
External revenues	499,876	602,115	28,646	49,909	7,268	2,742	535,790	654,766
Inter-segment revenue	2,109	2,457	-	-	9,015	8,178	11,124	10,635
Interest income	1,557	1,643	674	1,381	-	1	2,231	3,025
Finance costs	(11,925)	(7,895)	-	-	(1,242)	(556)	(13,167)	(8,451)
Depreciation, amortisation and impairment	(5,077)	(3,435)	(24,626)	(8,532)	(3,322)	(1,849)	(33,025)	(13,816)
Reportable segment profit/(loss) before income tax	102,409	97,510	(19,851)	6,707	(2,236)	(2,904)	80,322	101,313
Share of (loss)/profit of associates and joint ventures, net of income tax	(3,585)	(4,534)	(4,039)	(418)	2,273	2,479	(5,351)	(2,473)
Tax (expenses)/income	(3,928)	(10,751)	(451)	261	(4,348)	(965)	(8,727)	(11,455)
Operating lease expenses	(14,821)	(13,744)	(262)	(295)	(1,100)	(1,015)	(16,183)	(15,054)
Contribution to defined contribution plan, included in staff cost	(4,832)	(5,215)	(986)	(1,437)	(362)	(368)	(6,180)	(7,020)
Reportable segment assets	1,743,328	1,502,964	146,593	186,306	105,332	103,524	1,995,253	1,792,794
Investments in joint ventures	236,310	222,394	-	-	974	914	237,284	223,308
Investments in associates	95,224	92,741	1,985	1,737	7,909	9,614	105,118	104,092
Capital expenditure	3,102	11,882	96	318	1,117	30,609	4,315	42,809
Reportable segment liabilities	882,102	582,887	13,319	24,808	75,629	50,525	971,050	658,220



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

	2013 S\$'000	2012 S\$'000 Restated
Revenues		
Total revenue for reportable segments	528,522	652,024
Other revenue	7,268	2,742
Consolidated revenue	<u>535,790</u>	<u>654,766</u>
Profit or loss		
Total profit or loss for reportable segments	82,558	104,217
Other profit or loss	(2,236)	(2,904)
	<u>80,322</u>	<u>101,313</u>
Unallocated amounts:		
- Other corporate expenses	(23,348)	(22,672)
Share of loss of associates and joint ventures, net of income tax	(5,351)	(2,473)
Consolidated profit before income tax	<u>51,623</u>	<u>76,168</u>
Assets		
Total assets for reportable segments	1,889,921	1,689,270
Other assets	105,332	103,524
Investments in associates and joint ventures	342,402	327,400
Other unallocated amounts	58,850	69,510
Consolidated total assets	<u>2,396,505</u>	<u>2,189,704</u>
Liabilities		
Total liabilities for reportable segments	895,421	607,695
Other liabilities	75,629	50,525
Other unallocated amounts	539,163	654,455
Consolidated total liabilities	<u>1,510,213</u>	<u>1,312,675</u>

Other material items in 2013

	Reportable segment totals S\$'000	Reconciliations S\$'000	Consolidated totals S\$'000
Interest income	2,231	87	2,318
Finance costs	(11,925)	(15,594)	(27,519)
Capital expenditure	3,198	11,389	14,587
Depreciation, amortisation and impairment	(29,703)	(12,405)	(42,108)



Other material items in 2012

	Reportable segment totals	Reconciliations	Consolidated totals
	S\$'000	S\$'000	S\$'000
	Restated	Restated	Restated
Interest income	3,024	120	3,144
Finance costs	(7,895)	(13,504)	(21,399)
Capital expenditure	12,200	37,606	49,806
Depreciation, amortisation and impairment	(11,967)	(11,693)	(23,660)

Geographical information

31 December 2013

	Revenues	Non-current assets
	S\$'000	S\$'000
Middle East and North Africa	22,349	82,614
People's Republic of China	47,276	493,865
Asia ex-China	466,165	1,199,156
	<u>535,790</u>	<u>1,775,635</u>

31 December 2012

	Revenues	Non-current assets
	S\$'000	S\$'000
	Restated	Restated
Middle East and North Africa	28,871	88,806
People's Republic of China	131,284	441,482
Asia ex-China	494,611	772,102
	<u>654,766</u>	<u>1,302,390</u>



14. Breakdown of sales

	2013 S\$'000	2012 S\$'000 Restated	Increase/ (decrease) %
Sales reported for the first half year	262,928	318,896	(18)
Profit after tax before non-controlling interests reported for the first half year	<u>25,205</u>	<u>27,758</u>	(9)
Sales reported for the second half year	272,862	335,870	(19)
Profit after tax before non-controlling interests reported for the second half year	<u>17,691</u>	<u>36,955</u>	(52)

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

	Latest Full Year (2013) S\$'000	Previous Full Year (2012) S\$'000
Ordinary	26,437	23,580
Preference	<u>24,000</u>	<u>24,066</u>
Total	<u>50,437</u>	<u>47,646</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
20 February 2014