



HYFLUX LTD

Registration number : 200002722Z

Unaudited Financial Statements For The Second Quarter and Half Year Ended 30 June 2014

- 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 2014**

| | <u>Group</u> | | | | | |
|---|------------------------------|----------|--------|--------------------------------|-----------|--------|
| | <u>Quarter ended 30 June</u> | | | <u>Half year ended 30 June</u> | | |
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Revenue | 80,646 | 138,383 | (42) | 168,962 | 262,928 | (36) |
| Other income | 85,268 | 4,484 | NM | 142,174 | 6,368 | NM |
| Changes in inventories of finished goods and work-in-progress | (3,426) | (1,030) | NM | (1,173) | 1,208 | NM |
| Raw materials and consumables used and subcontractors' costs | (43,465) | (79,754) | (46) | (81,647) | (156,408) | (48) |
| Staff costs | (20,242) | (18,064) | 12 | (38,252) | (34,830) | 10 |
| Depreciation, amortisation and impairment | (5,240) | (3,425) | 53 | (11,976) | (7,672) | 56 |
| Other expenses | (21,094) | (12,774) | 65 | (55,137) | (24,827) | NM |
| Finance costs | (8,238) | (6,248) | 32 | (16,607) | (12,238) | 36 |
| Share of losses of associates and joint ventures, net of income tax | (3,862) | (1,173) | NM | (7,628) | (4,156) | 84 |
| Profit before income tax | 60,347 | 20,399 | NM | 98,716 | 30,373 | NM |
| Tax credit/(expense) | 1,148 | (3,151) | NM | 644 | (5,168) | NM |
| Profit for the period | 61,495 | 17,248 | NM | 99,360 | 25,205 | NM |
| Profit attributable to: | | | | | | |
| Owners of the Company | 61,434 | 17,690 | NM | 99,345 | 25,734 | NM |
| Non-controlling interests | 61 | (442) | NM | 15 | (529) | NM |
| Profit for the period | 61,495 | 17,248 | NM | 99,360 | 25,205 | NM |

NM: Not Meaningful



**1 (a)(ii) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014**

| | <u>Group</u> | | | | | |
|--|------------------------------|---------|--------|--------------------------------|---------|--------|
| | <u>Quarter ended 30 June</u> | | | <u>Half year ended 30 June</u> | | |
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Profit for the period | 61,495 | 17,248 | NM | 99,360 | 25,205 | NM |
| Other comprehensive income: | | | | | | |
| <u>Items that may be reclassified subsequently to profit or loss</u> | | | | | | |
| Foreign currency translation differences for foreign operations | (2,874) | 9,571 | NM | (3,220) | 13,889 | NM |
| Effective portion of changes in fair value of cash flow hedges | (10,557) | 1,129 | NM | (15,885) | 1,256 | NM |
| Share of other comprehensive income of associates and joint ventures | (6,256) | 9,799 | NM | (6,851) | 15,300 | NM |
| | (19,687) | 20,499 | NM | (25,956) | 30,445 | NM |
| <u>Items that will not be reclassified subsequently to profit or loss</u> | | | | | | |
| Net change in fair value of cash flow hedges transferred to profit or loss | (788) | (1,846) | (57) | (811) | (3,276) | (75) |
| Realisation of foreign currency translation to profit or loss | - | - | NM | (110) | - | NM |
| | (788) | (1,846) | (57) | (921) | (3,276) | (72) |
| Other comprehensive income for the period, net of income tax | (20,475) | 18,653 | NM | (26,877) | 27,169 | NM |
| Total comprehensive income for the period | 41,020 | 35,901 | 14 | 72,483 | 52,374 | 38 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 41,072 | 35,615 | 15 | 72,565 | 52,132 | 39 |
| Non-controlling interests | (52) | 286 | NM | (82) | 242 | NM |
| Total comprehensive income for the period | 41,020 | 35,901 | 14 | 72,483 | 52,374 | 38 |

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> | | | | | |
|--|------------------------------|---------|--------|--------------------------------|----------|--------|
| | <u>Quarter ended 30 June</u> | | | <u>Half year ended 30 June</u> | | |
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| | S\$'000 | S\$'000 | % | S\$'000 | S\$'000 | % |
| Allowance for inventory obsolescence | (5) | - | NM | (54) | (23) | NM |
| Depreciation, amortisation and impairment | (5,240) | (3,425) | 53 | (11,976) | (7,672) | 56 |
| Finance costs | (8,238) | (6,248) | 32 | (16,607) | (12,238) | 36 |
| Gain on disposal of an associate and a joint venture | - | - | NM | 54,118 | - | NM |
| Gain/(Loss) on sale of property, plant and equipment | 83,448 | 3 | NM | 83,446 | (3) | NM |
| Impairment of trade and other receivables | (20) | - | NM | (10,709) | (23) | NM |
| Interest income | 834 | 753 | 11 | 1,525 | 1,470 | 4 |
| Net foreign currency exchange (loss)/gain | (1,429) | 1,066 | NM | (2,354) | 1,642 | NM |
| Property, plant and equipment written off | - | (10) | NM | - | (10) | NM |
| Underprovision of prior years' tax | (17) | (400) | (96) | (1,451) | (422) | 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 2014

| | <u>Group</u> | | <u>Company</u> | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30 Jun 14 S\$'000 | 31 Dec 13 S\$'000 | 30 Jun 14 S\$'000 | 31 Dec 13 S\$'000 |
| <u>NON-CURRENT ASSETS</u> | | | | |
| Property, plant and equipment | 119,351 | 180,439 | - | - |
| Intangible assets | 30,741 | 34,247 | - | - |
| Intangible assets arising from service concession arrangements | 910,498 | 800,185 | - | - |
| Investments in subsidiaries | - | - | 183,290 | 176,790 |
| Investments in joint ventures | 226,467 | 237,284 | - | 3,125 |
| Investments in associates | 101,251 | 105,118 | 14,754 | 14,535 |
| Other investments | 18,022 | 18,022 | 630 | 630 |
| Financial receivables | 383,145 | 383,250 | - | - |
| Trade and other receivables | 18,538 | 15,139 | 565,430 | 526,963 |
| Deferred tax assets | 5,493 | 1,951 | - | - |
| | <u>1,813,506</u> | <u>1,775,635</u> | <u>764,104</u> | <u>722,043</u> |
| <u>CURRENT ASSETS</u> | | | | |
| Gross amounts due for contract work | 88,297 | 96,987 | - | - |
| Inventories | 32,763 | 34,643 | - | - |
| Financial receivables | 10,876 | 11,702 | - | - |
| Trade and other receivables | 236,751 | 233,593 | 940,942 | 719,593 |
| Cash and cash equivalents | 481,039 | 243,945 | 121,018 | 68,576 |
| | <u>849,726</u> | <u>620,870</u> | <u>1,061,960</u> | <u>788,169</u> |
| <u>CURRENT LIABILITIES</u> | | | | |
| Trade and other payables | 246,773 | 218,931 | 92,226 | 24,320 |
| Loans and borrowings | 197,668 | 128,999 | 134,938 | 65,957 |
| Tax payable | 11,645 | 11,928 | 5,973 | 7,098 |
| | <u>456,086</u> | <u>359,858</u> | <u>233,137</u> | <u>97,375</u> |
| Net current assets | 393,640 | 261,012 | 828,823 | 690,794 |
| <u>NON-CURRENT LIABILITIES</u> | | | | |
| Trade and other payables, including derivatives | 23,184 | 7,199 | - | - |
| Loans and borrowings | 951,305 | 1,137,980 | 598,907 | 737,452 |
| Deferred tax liabilities | 3,354 | 5,176 | - | - |
| | <u>977,843</u> | <u>1,150,355</u> | <u>598,907</u> | <u>737,452</u> |
| Net assets | 1,229,303 | 886,292 | 994,020 | 675,385 |



STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014 (cont'd)

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 30 Jun 14 S\$'000 | 31 Dec 13 S\$'000 | 30 Jun 14 S\$'000 | 31 Dec 13 S\$'000 |
| <u>EQUITY</u> | | | | |
| Share capital | 607,102 | 606,887 | 607,102 | 606,887 |
| Capital securities | 295,486 | - | 295,486 | - |
| Reserve for own shares | (51,484) | (51,484) | (51,484) | (51,484) |
| Capital reserve | 8,502 | 7,560 | 3,861 | 2,919 |
| Foreign currency translation reserve | (10,316) | (101) | - | - |
| Hedging reserve | (21,316) | (4,751) | - | - |
| Employees' share option reserve | 24,215 | 24,186 | 24,215 | 24,186 |
| Retained earnings | 373,478 | 300,277 | 114,840 | 92,877 |
| Total equity attributable to owners of the Company | 1,225,667 | 882,574 | 994,020 | 675,385 |
| Non-controlling interests | 3,636 | 3,718 | - | - |
| Total equity | 1,229,303 | 886,292 | 994,020 | 675,385 |
| <i>Group net borrowings (S\$'000)</i> | 667,934 | 1,023,034 | n.a. | n.a. |
| <i>Group net gearing (times)</i> | 0.54x | 1.15x | 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 14 | | 31 Dec 13 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| - | 197,668 | 2,000 | 126,999 |

(ii) Amount repayable after one year

| 30 Jun 14 | | 31 Dec 13 | |
|--------------------|----------------------|--------------------|----------------------|
| Secured S\$'000 | Unsecured S\$'000 | Secured S\$'000 | Unsecured S\$'000 |
| 226,049 | 725,256 | 271,781 | 866,199 |

Details of any collateral

As at 30 June 2014, secured bank loans of the Group are secured by specific project assets under project financing of a subsidiary.

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



1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014**

| | Group | | | |
|--|------------------------------|----------------|--------------------------------|----------------|
| | Quarter ended 30 June | | Half year ended 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash flows from operating activities | | | | |
| Profit before income tax | 60,347 | 20,399 | 98,716 | 30,373 |
| Adjustments for: | | | | |
| Allowance for inventory obsolescence | 5 | - | 54 | 23 |
| Amortisation of transaction costs related to borrowings | 99 | 166 | 302 | 370 |
| Depreciation, amortisation and impairment | 5,240 | 3,425 | 11,976 | 7,672 |
| Employees' share option expense | 198 | 156 | 29 | 1,005 |
| Finance costs | 8,238 | 6,248 | 16,607 | 12,238 |
| Gain on disposal of an associate and a joint venture | - | - | (54,118) | - |
| (Gain)/Loss on sale of property, plant and equipment | (83,448) | (3) | (83,446) | 3 |
| Impairment of trade and other receivables | 20 | - | 10,709 | 23 |
| Interest income | (834) | (753) | (1,525) | (1,470) |
| Property, plant and equipment written off | - | 10 | - | 10 |
| Share of losses of associates and joint ventures, net of income tax | 3,862 | 1,173 | 7,628 | 4,156 |
| | (6,273) | 30,821 | 6,932 | 54,403 |
| Change in inventories | 3,051 | 822 | 1,830 | 305 |
| Change in gross amounts due for contract work | 328 | (2,982) | 8,690 | (4,194) |
| Change in trade and other receivables | 6,960 | (17,269) | (449) | (19,213) |
| Change in trade and other payables | 6,093 | 35,446 | 6,870 | (21,135) |
| Cash from operating activities before service concession arrangement projects | 10,159 | 46,838 | 23,873 | 10,166 |
| Change in financial receivables from service concession arrangements | 454 | (10,042) | 930 | (19,327) |
| Change in intangible assets arising from service concession arrangements | (49,756) | (114,077) | (113,144) | (206,360) |
| Cash used in operating activities after service concession arrangement projects | (39,143) | (77,281) | (88,341) | (215,521) |
| Income tax paid | (4,658) | (4,237) | (4,435) | (6,645) |
| Net cash used in operating activities | (43,801) | (81,518) | (92,776) | (222,166) |
| Cash flows from investing activities | | | | |
| Acquisition of intangible assets | (451) | (2,985) | (993) | (4,538) |
| Acquisition of property, plant and equipment | (2,109) | (1,617) | (3,452) | (2,882) |
| Additional investments in an associate | - | - | (8,589) | - |
| Additional investments in a joint venture | - | (964) | - | (964) |
| Dividends received from associates | 360 | 300 | 4,828 | 720 |
| Interest received | 720 | 421 | 1,308 | 576 |
| Net proceeds from disposal of an associate and a joint venture | - | - | 63,432 | - |
| Net proceeds from sale of property, plant and equipment | 152,514 | 2 | 152,516 | 9 |
| Net cash from/(used in) investing activities | 151,034 | (4,843) | 209,050 | (7,079) |



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2014 (cont'd)**

| | <u>Group</u> | | | |
|--|------------------------------|-----------------|--------------------------------|------------------|
| | <u>Quarter ended 30 June</u> | | <u>Half year ended 30 June</u> | |
| | 2014 | 2013 | 2014 | 2013 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash flows from financing activities | | | | |
| Dividends paid | (25,202) | (32,618) | (25,202) | (32,618) |
| Decrease/(Increase) in deposits pledged | 1,832 | (1,832) | 1,832 | (1,832) |
| Interest paid | (5,672) | (3,438) | (24,302) | (18,100) |
| Net proceeds from capital securities issued | - | - | 295,486 | - |
| Proceeds from borrowings | 4,000 | 103,639 | 31,896 | 168,828 |
| Proceeds from exercise of share options | 73 | 572 | 215 | 760 |
| Repayment of borrowings | (49,901) | (27,848) | (149,901) | (39,421) |
| Net cash (used in)/from financing activities | (74,870) | 38,475 | 130,024 | 77,617 |
| Net increase/(decrease) in cash and cash equivalents | 32,363 | (47,886) | 246,298 | (151,628) |
| Cash and cash equivalents at beginning of the period | 394,442 | 350,261 | 182,585 | 449,014 |
| Effect of exchange rate fluctuations on cash held | (7,001) | 12,705 | (9,079) | 17,694 |
| Cash and cash equivalents at end of the period [Note 1(c)(i)] | 419,804 | 315,080 | 419,804 | 315,080 |

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> | |
|---|--------------------------------|----------------|
| | <u>Half year ended 30 June</u> | |
| | 2014 | 2013 |
| | S\$'000 | S\$'000 |
| Cash and cash equivalents as per statement of financial position | 481,039 | 375,113 |
| Less: Bank overdraft | (60,931) | (50,687) |
| Less: Deposits pledged | (304) | (9,346) |
| Cash and cash equivalents as per statement of cash flows | 419,804 | 315,080 |



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 | Capital securities | 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 | S\$'000 |
| At 1.1.2014 | 606,887 | - | (51,484) | 7,560 | (101) | (4,751) | 24,186 | 300,277 | 882,574 | 3,718 | 886,292 |
| Total comprehensive income for the period | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | 99,345 | 99,345 | 15 | 99,360 |
| Other comprehensive income | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | (3,123) | - | - | - | (3,123) | (97) | (3,220) |
| Realisation of foreign currency translation to profit or loss | - | - | - | - | (110) | - | - | - | (110) | - | (110) |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | - | (15,885) | - | - | (15,885) | - | (15,885) |
| Net change in fair value of cash flow hedges transferred to profit or loss | - | - | - | - | - | (811) | - | - | (811) | - | (811) |
| Share of other comprehensive income of associates and joint ventures | - | - | - | - | (6,982) | 131 | - | - | (6,851) | - | (6,851) |
| Total comprehensive income for the period | - | - | - | - | (10,215) | (16,565) | - | 99,345 | 72,565 | (82) | 72,483 |
| Transactions with owners, recognised directly in equity | | | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | - | (25,202) | (25,202) | - | (25,202) |
| Issue of Capital Securities | - | 295,486 | - | - | - | - | - | - | 295,486 | - | 295,486 |
| Issue of shares for cash under Employees' Share Option Schemes | 215 | - | - | - | - | - | - | - | 215 | - | 215 |
| Value of employee services received for issue of share options | - | - | - | - | - | - | 29 | - | 29 | - | 29 |
| Transfer to capital reserve | - | - | - | 942 | - | - | - | (942) | - | - | - |
| Total transactions with owners | 215 | 295,486 | - | 942 | - | - | 29 | (26,144) | 270,528 | - | 270,528 |
| At 30.6.2014 | 607,102 | 295,486 | (51,484) | 8,502 | (10,316) | (21,316) | 24,215 | 373,478 | 1,225,667 | 3,636 | 1,229,303 |



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 1.1.2013 | 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/(loss) 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 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 30.6.2013 | 605,956 | (51,484) | 9,605 | (3,084) | (342) | 23,462 | 297,759 | 881,872 | 16,678 | 898,550 |



1 (d)(i) STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

| | Share capital | Capital securities | 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 | S\$'000 |
| At 1.1.2014 | 606,887 | - | (51,484) | 2,919 | 24,186 | 92,877 | 675,385 |
| Profit for the period representing total comprehensive income for the period | - | - | - | - | - | 48,107 | 48,107 |
| Transactions with owners, recognised directly in equity | | | | | | | |
| Contributions by and distributions to owners | | | | | | | |
| Dividends paid | - | - | - | - | - | (25,202) | (25,202) |
| Issue of Capital Securities | - | 295,486 | - | - | - | - | 295,486 |
| Issue of shares for cash under Employees' Share Option Schemes | 215 | - | - | - | - | - | 215 |
| Value of employee services received for issue of share options | - | - | - | - | 29 | - | 29 |
| Transfer to capital reserve | - | - | - | 942 | - | (942) | - |
| Total transactions with owners | 215 | 295,486 | - | 942 | 29 | (26,144) | 270,528 |
| At 30.6.2014 | 607,102 | 295,486 | (51,484) | 3,861 | 24,215 | 114,840 | 994,020 |
| 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 30.6.2013 | 605,956 | - | (51,484) | 2,389 | 23,462 | 71,084 | 651,407 |



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 2014 were as follows:

Issued share capital

| | No. of shares | Amount S\$'000 |
|---|----------------------|-----------------------|
| Ordinary shares | | |
| At 1 April 2014 | 827,151,989 | 162,976 |
| Issue of shares under the Employees' Share Option Schemes ("the Schemes") | 75,000 | 73 |
| At 30 June 2014 | 827,226,989 | 163,049 |
| Preference shares | | |
| At 1 April 2014 and 30 June 2014 | 4,000,000 | 392,569 |
| Issued share capital at 30 June 2014 | | 555,618 |
| Capital securities | | |
| At 1 April 2014 and 30 June 2014 | | 295,486 |

As at 30 June 2014, the number of ordinary shares in issue were 827,226,989 (30 June 2013: 826,044,489), excluding 37,146,000 (30 June 2013: 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 30 June 2014 were 4,000,000 (30 June 2013: 4,000,000).

As at 30 June 2014, the issued 5.75% perpetual capital securities (Capital Securities) were \$300 million (30 June 2013: nil).

Outstanding share options under the Scheme

| | No. of options |
|----------------------------------|-----------------------|
| At 1 January 2014 | 39,297,750 |
| Options granted | 3,030,000 |
| Options granted but not accepted | (50,000) |
| Exercised/Forfeited | (4,479,500) |
| At 30 June 2014 | 37,798,250 |

As at 30 June 2014, the number of outstanding share options under the Schemes were 37,798,250 (30 June 2013: 42,788,000).



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 issued ordinary shares as at 30 June 2014 were 827,226,989 (31 December 2013: 827,007,989), excluding 37,146,000 (31 December 2013: 37,146,000) held by the Company as treasury shares.

There was no change in the Company's issued CPS during the first half year ended 30 June 2014. The total number of issued CPS as at 30 June 2014 were 4,000,000 (31 December 2013: 4,000,000).

There was no change in the Company's issued capital securities since 23 January 2014, date of issue. The Company's issued Capital Securities as at 30 June 2014 were \$300 million (31 December 2013: nil).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfer, disposal, cancellation and/or use of treasury shares for the financial period ended 30 June 2014.

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.

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 2014. Those new/revised FRS and Interpretations of FRS are not expected to have any significant 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.

| | <u>Quarter ended 30 June</u> | | | <u>Half year ended 30 June</u> | | |
|--|------------------------------|--------------------|----------|--------------------------------|--------------------|----------|
| | 2014 | 2013 | Change % | 2014 | 2013 | 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 | 6.18 cts | 1.42 cts | NM | 9.65 cts | 1.66 cts | NM |
| - Weighted average number of shares | 827,201,989 | 825,946,489 | 0.2 | 827,128,989 | 825,680,614 | 0.2 |
| On a fully diluted basis of ordinary shares | 6.18 cts | 1.41 cts | NM | 9.65 cts | 1.66 cts | NM |
| - Adjusted weighted average number of shares | <u>827,512,669</u> | <u>826,987,186</u> | 0.1 | <u>827,414,411</u> | <u>827,140,671</u> | - * |

* % change is immaterial

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> | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30 Jun 14 Cents | 31 Dec 13 Cents | 30 Jun 14 Cents | 31 Dec 13 Cents |
| Based on 827,226,989 (31 December 2013: 827,007,989) ordinary shares in issue | <u>63.5</u> | <u>58.4</u> | <u>35.5</u> | <u>33.3</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 profit attributable to the shareholders of the Company (PATMI) of \$61.4 million for the second quarter ended 30 June 2014 (2Q2014), an increase from \$17.7 million for the second quarter ended 30 June 2013 (2Q2013). Total revenue for 2Q2014 was \$80.6 million, a 42% decline from 2Q2013 of \$138.4 million, reflecting the timing of projects commencement in FY2014. For the first half ended 30 June 2014 (1H2014), the Group achieved PATMI of \$99.3 million, an increase from \$25.7 million for the first half ended 30 June 2013 (1H2013). Total revenue for 1H2014 was \$169.0 million, a 36% decline from 1H2013 of \$262.9 million.

The Group reported gross profits of \$33.8 million in 2Q2014 compared to \$57.6 million in 2Q2013. For the half year, the Group reported gross profits of \$86.1 million in 1H2014 compared to \$107.7 million in 1H2013.

Other income increased for both periods from \$4.5 million in 2Q2013 to \$85.3 million in 2Q2014 and from \$6.4 million in 1H2013 to \$142.2 million in 1H2014. This is mainly contributed by the net gains on sale and leaseback of Hyflux Innovation Centre (HIC) in 2Q2014 and disposals of the Group's investments in Hyflux Marmon Development Pte Ltd (HMD), a joint venture of the Group, and Marmon Hyflux Investments Pte Ltd, an associate of the Group to Marmon Water (Singapore) Pte Ltd in the first quarter of the year (1Q2014) which amounted to S\$83.5 million and \$54.1 million, respectively.

On 25 June 2014, the Group entered into a property sale and leaseback agreement with HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of Ascendas Real Estate Investment Trust ("A-REIT") for the sale and leaseback of HIC. The divestment is in line with the Group's capital utilisation strategy to free up funds for more productive use of capital including for tendering and investments of infrastructure projects, acquisitions of new technology, investments in research & development; as well as expansion and automation of the Group's membrane manufacturing facilities. The net gain on the sale of property was recognised as other income.

Both basic and fully diluted earnings per share adjusted for dividends on CPS and Capital Securities (2Q2013 and 1H2013: adjusted for dividends on CPS) for 2Q2014 increased to 6.18 cents as compared to 2Q2013 of 1.42 cents and 1.41 cents respectively. For 1H2014, it increased to 9.65 cents as compared to 1H2013 of 1.66 cents.

Sector Review

Municipal sector continued to be the main contributor to the Group's revenue, accounting for 83% and 87% of the Group's total revenue in 2Q2014 and 1H2014 respectively. In 2013, the municipal sector contributed 91% in 2Q2013 and 92% in 1H2013.

Revenue from the industrial sector made up 14% of the Group's revenue for 2Q2014, increased from 8% for 2Q2013. For the half, this sector made up 11% and 7% of the Group revenue for 1H2014 and 1H2013 respectively.



Geographical Review

The Asia ex-China market remained the major revenue contributor in 2Q2014, representing 82% of the Group's total revenue, a drop from 86% in 2Q2013. For 1H2014, Asia ex-China contributed 82% to the Group's total revenue, declined from 87% in 1H2013.

The Group's China market contributed 14% to the total revenue in 2Q2014, an increase from 10% in 2Q2013. For 1H2014, revenue from China was at 13% compared to 9% in 1H2013.

Contributions from MENA amounted to 4% in 2Q2014, similar to 2Q2013. For 1H2014, MENA contributed 5%, a nominal increase from 4% in 1H2013.

8(a)(ii) Costs and expenses

Lower raw materials, consumables used and subcontractors' costs were utilised for 2Q2014 and 1H2014 in aggregate as compared to corresponding periods which was in line with lower revenue generated and cost management initiative. These direct costs decreased from \$79.8 million in 2Q2013 to \$43.5 million in 2Q2014 and from \$156.4 million in 1H2013 to \$81.6 million in 1H2014.

Total staff costs increased from \$18.1 million in 2Q2013 to \$20.2 million in 2Q2014. For 1H2014, total staff costs was \$38.3 million compared to 1H2013 of \$34.8 million as we continue to strengthen our workforce for pipeline projects and for building up of our new markets.

Finance costs increased by 32% in 2Q2014 and by 36% in 1H2014, from \$6.2 million in 2Q2013 to \$8.2 million in 2Q2014; and from \$12.2 million in 1H2013 to \$16.6 million in 1H2014, respectively, due to an overall higher borrowings in financing the Group's assets under development, largely for our Tuaspring power plant.

Depreciation, amortisation and impairment increased from \$3.4 million in 2Q2013 to \$5.2 million in 2Q2014 and from \$7.7 million in 1H2013 to \$12.0 million in 1H2014, primarily due to the start of amortisation of the Tuaspring desalination plant that commenced its operation in September 2013.

Other expenses increased from \$12.8 million in 2Q2013 to \$21.1 million in 2Q2014 and from \$24.8 million in 1H2013 to \$55.1 million in 1H2014, mainly driven by higher utility charges from the Tuaspring desalination plant due to the delay in the national grid connection to our power plant. A provision of \$10.7 million made for receivables in 1Q2014 also contributed to the higher expenses in 1H2014.

The Group recorded a net income tax credit of \$0.6 million for 1H2014 due mainly to recognition of tax losses available for future utilisation of certain entities.

8(b) Statements of Financial Position Analysis

8(b)(i) The Group

The Group's shareholders' equity increased from \$882.6 million as at 31 December 2013 to \$1,225.7 million as at 30 June 2014. Net profit for the period and capital securities issuance amounting to \$300.0 million in January 2014 contributed to the increase in the Group's equity base. The overall increase was lowered by marked-to-market effect of interest rate swaps relating to the Group's floating rate loan, ordinary and CPS dividends paid, and translation reserve losses arising from the strengthening of Singapore Dollar against the US Dollar and the Chinese Renminbi.



Current assets increased from \$620.9 million as at 31 December 2013 to \$849.7 million as at 30 June 2014 mainly contributed by the net proceeds from the issue of capital securities and sale of HIC. Non-current assets increased from \$1,775.6 million as at 31 December 2013 to \$1,813.5 million as at 30 June 2014, mainly from the Group's continuing investments in service concession projects, offset by the disposal of HIC.

The Group reported an increase in current liabilities from \$359.9 million as at 31 December 2013 to \$456.1 million as at 30 June 2014 mainly due to reclassification of one of its fixed-rate unsecured notes that will become payable in March 2015. Non-current liabilities recorded a corresponding decrease from \$1,150.4 million as at 31 December 2013 to \$977.8 million as at 30 June 2014 due to the reclassification as well as repayment in borrowings during the period. Included in the balances as at 30 June 2014 was \$418.9 million of fixed-rate unsecured notes issued under the Group's Multicurrency Debt Issuance Programme that will mature between 2016 and 2019.

The Group's net gearing ratio improved to 0.54 times as at 30 June 2014 from 1.15 times as at 31 December 2013.

On 29 July 2014, the Company issued \$175 million perpetual capital securities. The perpetual capital securities bear interest at 4.8%, is unsecured and redeemable at the option of the Company, in whole or in part, on or after 29 July 2016. These will be accounted for as part of the Company's equity.

8(b)(ii) The Company

The Company's shareholders' equity increased from \$675.4 million as at 31 December 2013 to \$994.0 million as at 30 June 2014 mainly contributed by the issue of capital securities and divestment of Hyflux Marmon Development Pte Ltd that were offset by ordinary and CPS dividend payments totalling \$25.2 million during the period.

8(c) Statement of Cash flows

The Group's overall cash position increased from \$243.9 million as at 31 December 2013 to \$481.0 million as at 30 June 2014.

For 2Q2014 and 1H2014, net cash of \$43.8 million and \$92.8 million respectively were 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 inflows from the Group's operating activities were \$10.2 million and \$23.9 million in 2Q2014 and 1H2014 respectively.

Cash generated from investing activities in 2Q2014 and 1H2014 was largely contributed by proceeds from sale and leaseback of HIC net of capital expenditure in support of the Group's activities. Included in 1H2014 were net cash inflows from transactions that took place in 1Q2014 relating to disposals of an associate and a joint venture of the Group and additional capital injection amounting to \$8.6 million into Tahlyat Myah Magtaa SPA (TMM), its 47% associate in Algeria. The injection did not result in change to its shareholdings in TMM.

The Group made additional repayments of borrowings (net) of \$45.9 million; and payments of ordinary and CPS dividends in 2Q2014. Other cash generated from the Group's financing activities for the whole half were mainly from net proceeds from the issue of capital securities of \$295.5 million, offset by repayment of borrowings and interest payments.



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 Group remains cautious on its business outlook given the mixed global economic conditions and expects the second half to remain slow. The delay in the connection of the national power grid to our Tuaspring power plant will continue to have operating cost implications over the next few quarters. While the outlook for the global water industry is positive, the momentum of municipal projects being made available for tender has been slower than anticipated in the past year.

The Group will continue to actively pursue municipal and industrial projects in selective markets in the Middle East, Africa, Asia and Latin America as well as explore opportunities to recycle capital for strategic investments.

With growing urbanisation, the Group sees a trend towards integrated solutions for liveable cities in which a sustainable approach has to be taken for key resources such as water and other urban planning. There are opportunities for the Group in the areas of technology insertion in selective infrastructure-related projects.

11. Dividend

(a) Current financial period reported on.

Any dividend recommended for the current financial period reported on?

| | |
|------------------|-------------------------------|
| Name of dividend | Ordinary - 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 | Ordinary - Interim |
| Dividend type | Cash |
| Dividend rate | 0.70 cents per ordinary share |
| Tax rate | One-tier tax exempt |

(c) Date payable.

5 September 2014

(d) Books closure date.

18 August 2014



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 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Lim Poh Fong
Company Secretary
7 August 2014